



## **AGENDA**

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

**June 17, 2014**

**1:00 p.m.**

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

- I. Call to Order .....Dr. John Kirtley, Chairman*
- II. Approval of May 22, 2014 Minutes .....Dr. John Kirtley, Chairman*
- III. ASE-PSE Financials May, 2014 ..... Marla Wallace, EBD Chief Fiscal Officer*
- IV. EBD Report.....Doug Shackelford, EBD Deputy Director*
- V. Benefits Sub-Committee Report .Shelby McCook, Benefits Comm. Vice-Chairman*
- VI. 2015 Projections ..... John Colberg, Cheiron*
- VII. Director's Report .....Bob Alexander, EBD Executive Director*

#### ***Upcoming Meetings***

***July 15<sup>th</sup>***

***NOTE: All material for this meeting will be available by electronic means only aseps-board@dfa.arkansas.gov***

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

# **State and Public School Life And Health Insurance Board Minutes June 17, 2014**

The 138<sup>th</sup> meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on June 17, 2014 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

## **MEMBERS PRESENT**

Renee Mallory  
Robert Boyd  
Lori Freno-Engman  
Dr. Andrew Kumpuris  
Angela Avery  
Shelby McCook  
Dr. Tony Thurman  
Janis Harrison  
Dan Honey  
Dr. John Kirtley, Chairman  
Dr. Joseph Thompson  
Carla Wooley-Haugen Vice-Chairman

## **MEMBERS ABSENT**

Katrina Burnett

Bob Alexander, Executive Director, Employee Benefits Division

## **OTHERS PRESENT:**

Dwight Davis, David Keisner, UAMS; Doug Shackelford, Michele Hazelett, Janna Keathley, Kristi Jackson, Stella Greene, Ethel Whittaker, Marla Wallace, Lori Eden, Sherry Bryant, Tammy McGill, Leslie Smith, EBD; Sylvia Landers, Eileen Wilden, Minnesota Life; Pam Lawrence, AHH; Mike Meadors, BYSI; Larry Dickerson, Wayne Whitley, Ronda Walthall, AR Highway & Transportation Dept; Diann Shoptaw, USABLE; Peggy Nabors, AEA; Andy Davis, Arkansas Democrat; Takisha Sanders, Kathy Ryan, Kanita Collins, Martha Carlson, Jim Bailey, Health Advantage; Ro Summers, ACHI; Andra Kaufman, B.J. Himes, QualChoice; Susan Walker, Datapath; Marc Watts, Danny James, ASEA; Warren Tayes, Merck; Mark Chambers, Compsych; Treg Long, ACR; Jennifer Smith, ASU; Brian Strickland, Gilead; Lisa Bamburg, Insurance Advantage; Felicia McCoy, Camden Fairview; Neil Rose, ASBP; Jackie Beau, ASP; John Colberg, Cheiron; Steve Althoff, MTI; Martha Hill, Mitchell Williams, Shelly Smith, Teacher; Bill Clary, H & H; Marlo James, AEA; Angie Robertson, Cabot Schools; Connie Bennett, Catamaran; Andrea Barksdale, BLR; Skip Robertson

## **CALL TO ORDER:**

Meeting was called to order by John Kirtley, Chairman

## **APPROVAL OF MINUTES:** *by John Kirtley, Chairman*

The request was made by Kirtley to approve the May 22, 2014 minutes.

Harrison made the motion to approve the minutes, Wooley-Haugen seconded; all were in favor.

## **Minutes approved**

Dr. Kirtley reported on the drug sovaldi. The drug is excluded until the DUEC committee vote to approve coverage for the drug. The Committee is reviewing additional research.

## **FINANCIALS:** *by Marla Wallace, CFO EBD*

Wallace reported for May 2014 for PSE & ASE. For PSE, there were five (5) weeks of claims. There was a gain of \$1 million for the month and \$23 million year-to-date. The pharmacy IBNR decreased by \$400,000. There are net assets of \$9.4 million. May of 2013 there was five (5) weeks with \$5 million loss for the month and the year-to-date loss was \$9 million.

ASE also had five (5) weeks of claims showing a loss for the month. The 5<sup>th</sup> week of claims was 4.4 million. The year-to-date gain is \$9.7 million. There was a change in the IBNR. The medical was increased by \$1.5 million, and pharmacy decreased \$600,000. The total increase was \$900,000. The Net assets available are \$12 million.

## **EBD REPORT:** *by Doug Shackelford, EBD Deputy Director*

Shackelford reported the monthly meetings with the State and School Insurance Representatives are continuing with an increase in attendance.

The first part of the wellness program will be implemented in the next few days. The information will be listed in the EBD Buzz for communication.

Shackelford reported June 20, 2014 will be his last day of employment with EBD.

Alexander reported the procedure manual with all the details and the process of the wellness program is completed. Letters will be sent to every member regarding the requirements. There is a need for input on all the tools before they are implemented.

Alexander reported there is discussion of a special session. There are two (2) bills for discussion. They are as follows:

- To increase the board membership with one (1) additional member and remove the term “teacher” and replace it with “public school employee”. Add an additional public school employee to the Benefits Sub-committee and the DUEC Committee.
- The Board shall require a Participant in a consumer driven health plan offered under the program to establish a HSA health savings account.
- The Public Schools must reimburse to the plan the FICA savings associated with employee deductions for health insurance. The Board will set the policy on how to verify dependents.
- Amended the definition of dependent to include spouse. The spouse must have coverage by another plan equal to the requirements of the ACA.
- Bariatric Surgery would have a limit of \$3 million annually. That includes the diagnosis and treatment of obesity.
- Limit the PSE eligibility of employees who work thirty (30) hours weekly.

The projected net savings could be as much at \$10 - \$15 million.

**BENEFITS SUB-COMMITTEE REPORT:** *by, Shelby McCook, Vice-Chairman Benefits Sub-Committee*

The following report resulted from a meeting of the Benefits Sub-Committee from June 6, 2014 with Shelby McCook presiding.

**Topics Discussed:**

1. 2015 Projections

Colberg presented a report for 2015 Projections. Topics discussed are:

- 2015 Benefit Options
- Employee Contribution Strategy
- Risk Adjusted vs. Non-risk Adjusted rates
- Strategy Comparison
- Preliminary Rates

Colberg reported on Preliminary projections for CY 2015 Rates for PSE and ASE. There were several scenarios discussed with rates:

- Updated financial information based on processing benefit changes on actual claim data.
- Premium Alternative 3 modified to keep generic co-pay at \$15 (instead of reducing to \$10) in order for value to be the same as Alternative 2.
- The following are interchangeable designs for 2015 employee contributions:
  - ✓ Premium Alternative 2 & 3
  - ✓ Classic Alternative 1 & 2
  - ✓ Basic Alternative 3 & 4
- Projected Year-End 2014 net assets:
  - ✓ ASE - \$18 Million
  - ✓ PSE – None (\$8 Million in catastrophic reserves)

The Committee adopted the risk adjusted Rates for both ASE Actives and ASE Retirees.

### **PRELIMINARY PROJECTIONS FOR CY 2015 RATES:** *by John Colberg, Cheiron*

There are three (3) alternatives for recommendation. The options include \$500.00, \$1000.00, & \$2500.00 deductibles. There is a medical and prescription out-of-pocket-max.

Co-pays for hospital Inpatient and Outpatient have been eliminated, as well as high tech radiology. There is no out-of-pocket-max for all alternatives for out-of-network Premium Plan.

The following are the recommendations for the 2015 Plans:

|  |                 |                   |                   |                            |                            |                          |
|--|-----------------|-------------------|-------------------|----------------------------|----------------------------|--------------------------|
| Yellow highlight means the coverage is changed |                 |                   |                   |                            |                            |                          |
| Actuarial Value (per MV Calculator)            | 2014 Gold 83.7% | 2014 Silver 78.5% | 2014 Bronze 71.3% | Recommend ed Premium 82.3% | Recommend ed Classic 70.0% | Recommend ed Basic 60.6% |
| Monthly Plan HSA                               | n/a             | n/a               | n/a               | n/a                        | \$25/\$50                  | \$25/\$50                |
| <b>In-Network:</b>                             |                 |                   |                   |                            |                            |                          |
| Deductible - Individual                        | \$0.00          | \$1000            | \$2000            | \$500                      | \$2500                     | \$6600                   |
| Co-Insurance Limit- Indv (after deductible)    | \$2500          | \$3000            | \$4350            | \$2500                     | \$4100                     | n/a                      |

|   |         |         |              |               |              |              |
|---|---------|---------|--------------|---------------|--------------|--------------|
| Med. Out-of-pocket max – (Ded + Co-Ins + Med. Co-Pay)                 | \$2500  | \$4000  | \$6350       | \$3000        | \$6600       | \$6600       |
| Deductible - Family   | \$0.00  | \$2000  | \$3000       | \$1000        | \$5000       | \$13200      |
| Co-Insurance Limit-Family (after deductible)                          | \$5000  | \$6000  | \$6525       | \$5000        | \$8200       | n/a          |
| Med. Out-of-pocket Max (Ded. +Co-Ins. + Med. Co-Pay)                  | \$5000  | \$8000  | \$9525       | \$6000        | \$13200      | \$13200      |
| Coinsurance Rate  | 80%/20% | 80%/20% | 80%/20%      | 80%/20%       | 80%/20%      | 100%/0%      |
| Physician Office Visit – Prim Care– Co-pay                            | \$35    | \$35    |              | \$25          |              |              |
| Physician Office Visit – Specialist – Co-Pay                          | \$70    | \$70    |              | \$50          |              |              |
| Rx-Deductible   | None    | None    | Incl. w/Med. | None          | Incl. w/Med. | Incl. w/Med. |
| Rx- Tier 1 – Generic  | \$15    | \$15    |              | \$10          |              |              |
| RX- Tier 2 – Preferred Brand  | \$40    | \$40    |              | \$40          |              |              |
| Rx- Tier 3 Non-Preferred Brand  | \$80    | \$80    |              | \$80          | Not covered  | Not covered  |
| RX- Specialty   | \$100   | \$100   |              | \$100         |              |              |
| RX-Out of Pocket Max Ind/Fam  | n/a     | n/a     |              | \$3100/\$6200 |              |              |
| <b>Hospital/Facility-Inpatient &amp; SNF – Co-PayPer Admin *</b>      | \$250   | \$300   |              | \$0.00        |              |              |
| <b>Hospital/Facility-Outpatient-Co-Pay *</b>                          | \$100   | \$150   |              | \$0.00        |              |              |
| Urgent Care Visit   | \$100   | \$100   |              | \$100         |              |              |
| Emergency Room Visit  | \$250   | \$300   |              | \$250         |              |              |
| Emergency Transportation-Ambulance                                    | \$50    | \$50    |              | \$50          |              |              |
| <b>High Tech Radiology – Co-Pay (1<sup>st</sup> Procedure Only) *</b> | \$250   | 300     |              | \$0.00        |              |              |
| Rehab/Therapy-Outpatient-Physical/Speech/Occup                        | \$35    | \$35    |              | \$25          |              |              |
| Rehab/Therapy-Outpatient-Co-Pay                                       | \$35    | \$35    |              | \$25          |              |              |
| Out-of-Network:   |         |         |              |               |              |              |
| Deductible –  |         |         |              |               |              |              |

|  |                |                |                |                   |             |             |
|--|----------------|----------------|----------------|-------------------|-------------|-------------|
| Individual/Family  | \$1000/\$2000  | \$1500/\$3000  | \$3000/\$6000  | \$2000/\$400<br>0 | Not covered | Not covered |
| Co-Insurance   | 60%/40%        | 60%/40%        | 60%/40%        | 60%/40%           | Not covered | Not covered |
| Co-Insurance Limit-<br>Individual/Family<br>(after Deductible) | \$5000/\$10000 | \$5000/\$10000 | \$5000/\$10000 | None              | Not covered | Not covered |
| Max. Out-of-Pocket<br>(Deductible + Co-<br>Insurance)          | \$6000/\$12000 | \$5000/\$10000 | \$8000/\$16000 | None              | Not covered | Not covered |
| <b>* Deductible &amp; Co-<br/>Insurance also applies</b>       |                |                |                |                   |             |             |
|  |                |                |                |                   |             |             |
|  |                |                |                |                   |             |             |
|  |                |                |                |                   |             |             |

McCook motioned to adopt the recommendations of the Benefits Sub-committee recommending the benefits and rates of the risk adjustment plan as shown for ASE. Honey seconded.

Boyd would like to amend the motion to include PSE. PSE will be reviewed at an appropriate time.

Harrison would like to amend the motion to recommend the individual deductible at \$500.00, family deductible \$1000.00, \$3000.00 for individual medical out-of-pocket, \$6000.00 for family medical out-of-pocket, and the rates are set with the actuarial value with the possibility of reducing the increase in rates for ASE actives and retirees. Wooley-Haugen seconded.

The board requested new amounts from Colberg. The cost could be as much at \$3 million for the change in deductible.

Harrison withdrew the amended motion.

Harrison would like to make another amended motion to set the individual deductible at \$500.00, \$2500.00 co-insurance for individual, the family deductible \$1000.00, \$5000.00 co-insurance for family, \$3000.00 for individual medical out-of-pocket, \$6000.00 for family medical out-of-pocket, and the generic tier 1 meds remain at \$15.00 co-pay. Honey seconded.

McCook called for questions on the amendment.

### **Motion approved with two (2) members voting no.**

After further discussion Dr. Thompson amended the amended motion to include that the intent is the board will consider the previous model for the deductibles, out-of-pocket, and the original rates for 2016. Boyd seconded. All were in favor.

### **Motioned Approved**

Dr. Thurman would like to compare both plans before making decisions.

The original motion is as follows: to adopt the recommendations of the Benefits Sub-committee risk adjustment plan with the benefits design and rates, to increase the tier 1 co-pay \$5.00, and reduce the retirees under 65 deductible to \$500.00. All except one (1) was in favor.

**Motion approved with Dr. Thurman voting no.**

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

Alexander reported on the voluntary product. The vendors will be limited to four. The products will have limitations also. The open enrollment process will be internet based. Open enrollment will be sixty (60) days for voluntary products.

McCook inquired about the administrative cost. McCook would like to review the administrative cost for the various accounts.

Alexander advised the board of a complaint letter and provided a copy.

Kirtley opened the floor for the audience to speak. Marc Watts thanked Janis Harrison for her assistance in keeping the cost down for ASE.

**Meeting Adjourn**



| Arkansas State Employees (ASE) Financials - January 1, 2013 through May 31, 2013      |               |             |                         |               |
|---|---------------|-------------|-------------------------|---------------|
|   | Gold          | Silver      | Bronze                  | Total         |
| Actives   | 45,565        | 2,166       | 3,478                   | 51,209        |
| Retirees  | 3,342         | 36          | 77                      | 3,455         |
| Medicare  | 10,338        |             |                         | 10,338        |
| Total   | 59,245        | 2,202       | 3,555                   | 65,002        |
| Revenues & Expenditures   |               |             |                         |               |
|   | Current Month |             | Year to Date (5 months) |               |
| <b>Funding</b>  |               |             |                         |               |
| State Contribution  | \$            | 13,531,738  | \$                      | 67,694,192    |
| Employee Contribution   | \$            | 7,206,263   | \$                      | 36,119,452    |
| Other   | \$            | 1,038,710   | \$                      | 2,028,225     |
| Allocation for Active/Retiree Plan Year 2013  | \$            | 2,236,667   | \$                      | 11,183,333    |
| <b>Total Funding</b>  | \$            | 24,013,378  | \$                      | 117,025,203   |
| <b>Expenses</b>   |               |             |                         |               |
| Medical Expenses  |               |             |                         |               |
| Claims Expense  | \$            | 18,075,631  | \$                      | 82,174,561.06 |
| Claims IBNR   | \$            | -           | \$                      | -             |
| Medical Admin Fees  | \$            | 1,076,096   | \$                      | 5,391,507     |
| Refunds   | \$            | 6,107       | \$                      | 56,697        |
| Employee Assistance Program (EAP)   | \$            | 56,545      | \$                      | 282,504       |
| Life Insurance  | \$            | 54,954      | \$                      | 274,559       |
| Pharmacy Expenses   |               |             |                         |               |
| RX Claims   | \$            | 7,843,989   | \$                      | 36,349,883    |
| RX IBNR   | \$            | -           |                         |               |
| RX Admin  | \$            | 247,654     | \$                      | 1,087,690     |
| Plan Administration   | \$            | 313,645     | \$                      | 1,481,854     |
| <b>Total Expenses</b>   | \$            | 27,674,621  | \$                      | 127,099,254   |
| <b>Net Income/(Loss)</b>  | \$            | (3,661,243) | \$                      | (10,074,051)  |
| Balance Sheet   |               |             |                         |               |
| <b>Assets</b>   |               |             |                         |               |
| Bank Account  |               |             | \$                      | 3,691,897     |
| State Treasury  |               |             | \$                      | 80,485,891    |
| Due from Cafeteria Plan   |               |             | \$                      | 613,980       |
| Due from PSE  |               |             | \$                      | -             |
| Receivable from Provider  |               |             | \$                      | 151,089       |
| Accounts Receivable   |               |             | \$                      | 133,182       |
| <b>Total Assets</b>   |               |             | \$                      | 85,076,039    |
| <b>Liabilities</b>  |               |             |                         |               |
| Accounts Payable  |               |             | \$                      | 2,353         |
| Deferred Revenues   |               |             | \$                      | 87,461        |
| Due to Cafeteria  |               |             | \$                      | 751           |
| Due to PSE  |               |             | \$                      | 450           |
| Health IBNR   |               |             | \$                      | 21,100,000    |
| RX IBNR   |               |             | \$                      | 3,200,000     |
| <b>Total Liabilities</b>  |               |             | \$                      | 24,391,014    |
| <b>Net Assets</b>   |               |             | \$                      | 60,685,024    |
| <b>Less Reserves Allocated:</b>   |               |             |                         |               |
| Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13 (\$11,190,000 + \$15,650,000) |               |             | \$                      | (15,656,667)  |
| 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>   |               |             | \$                      | 11,918,357    |

Fifth week of claims totaled: \$5,161,979

| Arkansas State Employees (ASE) Financials - January 1, 2014 through May 31, 2014 |               |                 |               |                 |               |                 |               |                 |
|--|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|
|  | GOLD          |                 | SILVER        |                 | BRONZE        |                 | GRAND TOTALS  |                 |
|  | Employee Only | Plus Dependents | Employee Only | Plus Dependents | Employee Only | Plus Dependents | Employee Only | Plus Dependents |
| Actives  | 24132         | 44292           | 1564          | 2895            | 2347          | 4552            | 28043         | 51739           |
| Retirees   | 2460          | 3427            | 22            | 34              | 57            | 103             | 2539          | 3564            |
| Medicare   | 8203          | 10869           |               |                 |               |                 | 8203          | 10869           |
| <b>TOTAL</b>   | <b>34795</b>  | <b>58588</b>    | <b>1586</b>   | <b>2929</b>     | <b>2404</b>   | <b>4655</b>     | <b>38785</b>  | <b>66172</b>    |

| REVENUES & EXPENDITURES                  |   |                       |                         |
|--|---|-----------------------|-------------------------|
|  |   | Current Month         | Year to Date (5 months) |
| <b>Funding</b>                           |   |                       |                         |
| State Contribution                       |   | \$ 14,317,578         | \$ 71,589,754           |
| Employee Contribution                    |   | \$ 7,612,606          | \$ 38,138,591           |
| Other                                    |   | \$ 490,573            | \$ 2,943,587            |
| Allocation for Actives - Plan Year 2014  |   | \$ 2,154,167          | \$ 10,770,833           |
| <b>Total Funding</b>                     |   | <b>\$ 24,574,924</b>  | <b>\$ 123,442,765</b>   |
| <b>Expenses</b>                          |   |                       |                         |
| Medical Expenses                         |   |                       |                         |
| Claims Expense                           |   | \$ 17,694,349         | \$ 75,245,794           |
| Claims IBNR                              |   | \$ 1,500,000          | \$ 1,500,000            |
| Medical Administration Fees              |   | \$ 1,246,105          | \$ 5,659,013            |
| Refunds                                  |   | \$ 16,243             | \$ 61,256               |
| Employee Assistance Program (EAP)        |   | \$ 56,164             | \$ 281,094              |
| Life Insurance                           |   | \$ 54,699             | \$ 273,581              |
| Pharmacy Expenses                        |   |                       |                         |
| RX Claims                                |   | \$ 6,506,023          | \$ 28,222,930           |
| RX IBNR                                  |   | \$ (600,000)          | \$ (600,000)            |
| RX Administration                        |   | \$ 276,111            | \$ 1,292,869            |
| Plan Administration                      |   | \$ 328,524            | \$ 1,756,102            |
| <b>Total Expenses</b>                    |   | <b>\$ 27,078,219</b>  | <b>\$ 113,692,640</b>   |
| <b>Net Income/(Loss)</b>                 |   | <b>\$ (2,503,294)</b> | <b>\$ 9,750,125</b>     |
| BALANCE SHEET                            |   |                       |                         |
| <b>Assets</b>                            |   |                       |                         |
| Bank Account                             |   | \$                    | 6,685,483               |
| State Treasury                           |   | \$                    | 71,528,707              |
| Due from Cafeteria Plan                  |   | \$                    | 668,305                 |
| Due from PSE                             |   | \$                    | -                       |
| Receivable from Provider                 |   | \$                    | -                       |
| Accounts Receivable                      |   | \$                    | 621,353                 |
| <b>Total Assets</b>                      |   | <b>\$</b>             | <b>79,503,848</b>       |
| <b>Liabilities</b>                       |   |                       |                         |
| Accounts Payable                         |   | \$                    | 2,903                   |
| Deferred Revenues                        |   | \$                    | 3,690                   |
| Due to Cafeteria                         |   | \$                    | -                       |
| Due to PSE                               |   | \$                    | -                       |
| Health IBNR                              |   | \$                    | 24,700,000              |
| RX IBNR                                  |   | \$                    | 1,800,000               |
| <b>Total Liabilities</b>                 |   | <b>\$</b>             | <b>26,506,593</b>       |
| <b>Net Assets</b>                        |   | <b>\$</b>             | <b>52,997,255</b>       |
| Less Reserves Allocated:                 |   |                       |                         |
| Premiums for Plan Year 1/1/14 - 12/31/14 | (\$7,460,000 + \$9,390,000 + \$9,000,000) | \$                    | (15,079,167)            |
| Premiums for Plan Year 1/1/15 - 12/31/15 | (\$6,260,000 + \$5,400,000)               | \$                    | (11,660,000)            |
| Premiums for Plan Year 1/1/16 - 12/31/16 | (\$3,600,000)                             | \$                    | (3,600,000)             |
| Catastrophic Reserve                     |   | \$                    | (10,600,000)            |
| <b>Net Assets Available</b>              |   | <b>\$</b>             | <b>12,058,088</b>       |

Fifth Week of claims totaled: \$4,417,656

| Public School Employees (PSE) Financials - January 1, 2013 through May 31, 2013 |               |             |                         |             |
|---|---------------|-------------|-------------------------|-------------|
|   | Gold          | Silver      | Bronze                  | Total       |
| Actives   | 37,336        | 7,618       | 26,270                  | 71,224      |
| Retirees  | 2,454         | 39          | 920                     | 3,413       |
| Medicare  | 8,541         |             |                         | 8,541       |
| Total   | 48,331        | 7,657       | 27,190                  | 83,178      |
| Revenues & Expenditures   |               |             |                         |             |
| Funding   | Current Month |             | Year to Date (5 months) |             |
| District Contribution   | \$            | 8,133,572   | \$                      | 40,839,036  |
| Employee Contribution   | \$            | 10,904,489  | \$                      | 55,178,091  |
| Dept of Ed \$35,000,000 & \$15,000,000  | \$            | 3,181,818   | \$                      | 23,409,091  |
| Other   | \$            | 33,163      | \$                      | 563,481     |
| Allocation for Active/Retiree Premiums for Plan Year 2013                       | \$            | 750,000     | \$                      | 3,750,000   |
| <b>Total Funding</b>  | \$            | 23,003,042  | \$                      | 123,739,699 |
| Expenses  |               |             |                         |             |
| Medical Expenses:   |               |             |                         |             |
| Claims Expense  | \$            | 19,891,762  | \$                      | 91,792,137  |
| Claims IBNR   | \$            | -           | \$                      | -           |
| Medical Admin Fees  | \$            | 1,581,790   | \$                      | 7,938,688   |
| Refunds   | \$            | 23,272      | \$                      | 89,751      |
| Employee Assistance Program (EAP)   | \$            | 81,514      | \$                      | 409,408     |
| Pharmacy Expenses:  |               |             |                         |             |
| RX Claims   | \$            | 5,948,178   | \$                      | 28,026,917  |
| RX IBNR   | \$            | -           | \$                      | -           |
| RX Admin  | \$            | 324,702     | \$                      | 1,421,530   |
| Plan Administration   | \$            | 390,154     | \$                      | 1,915,153   |
| <b>Total Expenses</b>   | \$            | 28,241,372  | \$                      | 131,593,584 |
| <b>Net Income/(Loss)</b>  | \$            | (5,238,330) | \$                      | (7,853,885) |
| Balance Sheet   |               |             |                         |             |
| Assets  |               |             |                         |             |
| Bank Account  |               |             | \$                      | 11,869,733  |
| State Treasury  |               |             | \$                      | 20,074,096  |
| Receivable from Provider  |               |             | \$                      | 208,608     |
| Accounts Receivable   |               |             | \$                      | 4,647,420   |
| Due from ASE  |               |             | \$                      | 450         |
| <b>Total Assets</b>   |               |             | \$                      | 36,800,306  |
| Liabilities   |               |             |                         |             |
| Accounts Payable  |               |             | \$                      | 947         |
| Due to ASE  |               |             | \$                      | -           |
| Deferred Revenues   |               |             | \$                      | 1,767,634   |
| Health IBNR   |               |             | \$                      | 24,700,000  |
| RX IBNR   |               |             | \$                      | 2,600,000   |
| <b>Total Liabilities</b>  |               |             | \$                      | 29,068,581  |
| <b>Net Assets</b>   |               |             | \$                      | 7,731,725   |
| <b>Less Reserves Allocated:</b>   |               |             |                         |             |
| Active/Retiree Premiums for Plan Year 01/01/13 - 12/31/13 (\$9,000,000)         |               |             | \$                      | (5,250,000) |
| Active/Retiree Premiums for Plan Year 01/01/14 - 12/31/14 (\$3,600,000)         |               |             | \$                      | -           |
| Catastrophic Reserve (2013 - \$11,100,000)                                      |               |             | \$                      | (2,481,725) |
| <b>Net Assets Available</b>   |               |             | \$                      | (0)         |

Fifth week of claims totaled: \$4,938,613

| Public School Employees (PSE) Financials - January 1, 2014 through May 31, 2014 |               |                 |               |                 |               |                 |               |                 |
|---|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|
|   | GOLD          |                 | SILVER        |                 | BRONZE        |                 | GRAND TOTALS  |                 |
|   | Employee Only | Plus Dependents | Employee Only | Plus Dependents | Employee Only | Plus Dependents | Employee Only | Plus Dependents |
| Actives   | 18382         | 22328           | 5019          | 7848            | 23170         | 42011           | 46571         | 72187           |
| Retirees  | 1780          | 2073            | 95            | 98              | 1181          | 1472            | 3056          | 3643            |
| Medicare  | 8976          | 9832            |               |                 |               |                 | 8976          | 9832            |
| <b>TOTAL</b>  | <b>29138</b>  | <b>34233</b>    | <b>5114</b>   | <b>7946</b>     | <b>24351</b>  | <b>43483</b>    | <b>58603</b>  | <b>85662</b>    |

| REVENUES & EXPENDITURES                                 |                      |                         |
|---|----------------------|-------------------------|
|   | Current Month        | Year to Date (5 months) |
| <b>Funding</b>  |                      |                         |
| Per Participating Employee Funding (PPE Funding)        | \$ 8,470,705         | \$ 42,421,884           |
| Employee Contribution                                   | \$ 10,033,506        | \$ 50,713,648           |
| Department of Education \$35,000,000 & \$15,000,000     | \$ 3,181,818         | \$ 23,409,091           |
| Other   | \$ 43,864            | \$ 647,867              |
| Allocation for Actives - Plan Year 2014                 | \$ 3,583,333         | \$ 17,916,667           |
| <b>Total Funding</b>                                    | <b>\$ 25,313,226</b> | <b>\$ 135,109,157</b>   |
| <b>Expenses</b>   |                      |                         |
| Medical Expenses  |                      |                         |
| Claims Expense  | \$ 17,773,520        | \$ 81,141,930           |
| Claims IBNR   | \$ -                 | \$ -                    |
| Medical Administration Fees                             | \$ 1,730,179         | \$ 8,128,892            |
| Refunds   | \$ 28,197            | \$ 95,803               |
| Employee Assistance Program (EAP)                       | \$ 80,566            | \$ 404,204              |
| Pharmacy Expenses                                       |                      |                         |
| RX Claims   | \$ 4,317,725         | \$ 19,418,025           |
| RX IBNR   | \$ (400,000)         | \$ (400,000)            |
| RX Administration                                       | \$ 332,073           | \$ 1,664,973            |
| Plan Administration                                     | \$ 370,848           | \$ 1,639,362            |
| <b>Total Expenses</b>                                   | <b>\$ 24,233,108</b> | <b>\$ 112,093,189</b>   |
| <b>Net Income/(Loss)</b>                                | <b>\$ 1,080,118</b>  | <b>\$ 23,015,968</b>    |
| <b>BALANCE SHEET</b>                                    |                      |                         |
| <b>Assets</b>   |                      |                         |
| Bank Account  | \$                   | 22,825,694              |
| State Treasury  | \$                   | 49,149,355              |
| Receivable from Provider                                | \$                   | -                       |
| Accounts Receivable                                     | \$                   | 3,060,385               |
| Due from ASE  | \$                   | -                       |
| <b>Total Assets</b>                                     |                      | <b>\$ 75,035,434</b>    |
| <b>Liabilities</b>                                      |                      |                         |
| Accounts Payable  | \$                   | 3,629                   |
| Due to ASE  | \$                   | -                       |
| Deferred Revenues                                       | \$                   | -                       |
| Health IBNR   | \$                   | 28,000,000              |
| RX IBNR   | \$                   | 1,400,000               |
| <b>Total Liabilities</b>                                |                      | <b>\$ 29,403,629</b>    |
| <b>Net Assets</b>                                       |                      | <b>\$ 45,631,806</b>    |
| Less Reserves Allocated:                                |                      |                         |
| Premiums for Plan Year 1/1/14 - 12/31/14 (\$43,000,000) | \$                   | (25,083,334)            |
| Catastrophic Reserve (2014 - \$11,100,000)              | \$                   | (11,100,000)            |
| <b>Net Assets Available</b>                             |                      | <b>\$ 9,448,472</b>     |

Fifth Week of claims totaled: \$4,363,367

# Arkansas State Employees & Public School Employees Life & Health Insurance Board

## **Preliminary Rates for CY 2015**



June 17, 2014

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



# Topics

1. Comments
2. 2015 Recommended Benefit Options
3. Employee Contribution Strategy
  - a. Risk Adjusted vs. Non-Risk Adjusted rates
  - b. Strategy Comparison
4. Preliminary Rates
  - a. ASE (Recommended by Benefits Committee)
  - b. PSE (using same method as ASE Recommended )

## Appendices

- A. Current Benefit Structure
- B. Rating Worksheets
- C. Assumptions and Disclosures



# Comments

- Figures changed from May 22 presentation as a result of processing benefit changes on actual claims data.
- Projected Year-End 2014 net assets:
  - ASE: \$18 Million
  - PSE: None (\$8 Million in catastrophic reserves)
- Rates shown are projected to have same net assets at end of 2015.



# 2015 Benefit Options Recommended for ASE

| Yellow highlight means the coverage is changed                |                  |                  |                  |                        |                        |                      |
|---|------------------|------------------|------------------|------------------------|------------------------|----------------------|
|   | 2014<br>Gold     | 2014<br>Silver   | 2014<br>Bronze   | Recommended<br>Premium | Recommended<br>Classic | Recommended<br>Basic |
| Actuarial Value (per MV Calculator)                           | 83.7%            | 78.5%            | 71.3%            | 82.3%                  | 70.0%                  | 60.6%                |
| Monthly Plan HSA Contribution (Ind./Family)                   | n/a              | n/a              | \$0              | n/a                    | \$25/\$50              | \$25/\$50            |
| <b>In-Network:</b>  |                  |                  |                  |                        |                        |                      |
| Deductible - Individual                                       | \$0              | \$1,000          | \$2,000          | \$1,000                | \$2,500                | \$6,600              |
| Co-Insurance Limit - Individual (after Deductible)            | \$2,500          | \$3,000          | \$4,350          | \$2,500                | \$4,100                | n/a                  |
| Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)         | \$2,500          | \$4,000          | \$6,350          | \$3,500                | \$6,600                | \$6,600              |
| Deductible - Family   | \$0              | \$2,000          | \$3,000          | \$2,000                | \$5,000                | \$13,200             |
| Co-Insurance Limit - Family (after Deductible)                | \$5,000          | \$6,000          | \$6,525          | \$5,000                | \$8,200                | n/a                  |
| Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)         | \$5,000          | \$8,000          | \$9,525          | \$7,000                | \$13,200               | \$13,200             |
| Coinsurance Rate  | 80%/20%          | 80%/20%          | 80%/20%          | 80%/20%                | 80%/20%                | 100%/0%              |
| Physician Office Visit - Primary Care - Co-Pay                | \$35             | \$35             |                  | \$25                   |                        |                      |
| Physician Office Visit - Specialist - Co-Pay                  | \$70             | \$70             |                  | \$50                   |                        |                      |
| Rx - Deductible   | None             | None             | Incl. w/ Med.    | None                   | Incl. w/ Med.          | Incl. w/ Med.        |
| Rx - Tier 1 - Generic   | \$15             | \$15             |                  | \$10                   |                        |                      |
| Rx - Tier 2 - Preferred Brand                                 | \$40             | \$40             |                  | \$40                   |                        |                      |
| Rx - Tier 3 - Non-Preferred Brand                             | \$80             | \$80             |                  | \$80                   | not covered            | not covered          |
| Rx - Specialty  | \$100            | \$100            |                  | \$100                  |                        |                      |
| Rx - Out of Pocket Maximum (Individual/Family)                | n/a              | n/a              |                  | \$3,100/\$6,200        |                        |                      |
| Hospital / Facility - Inpatient & SNF - Co-Pay Per Admission* | \$250            | \$300            |                  | \$0                    |                        |                      |
| Hospital / Facility - Outpatient - Co-Pay*                    | \$100            | \$150            |                  | \$0                    |                        |                      |
| Urgent Care Visit   | \$100            | \$100            |                  | \$100                  |                        |                      |
| Emergency Room Visit  | \$250            | \$300            |                  | \$250                  |                        |                      |
| Emergency Transportation - Ambulance                          | \$50             | \$50             |                  | \$50                   |                        |                      |
| High Tech Radiology - Co-Pay (1st Procedure Only)*            | \$250            | \$300            |                  | \$0                    |                        |                      |
| Rehab / Therapy - Outpatient - Physical/Speech/Occup          | \$35             | \$35             |                  | \$25                   |                        |                      |
| Rehab / Therapy - Outpatient - Chiropractic - Co-Pay          | \$35             | \$35             |                  | \$25                   |                        |                      |
| <b>Out-of-Network:</b>  |                  |                  |                  |                        |                        |                      |
| Deductible - Individual/Family                                | \$1,000/\$2,000  | \$1,500/\$3,000  | \$3,000/\$6,000  | \$2,000/\$4,000        | not covered            | not covered          |
| Co-Insurance  | 60%/40%          | 60%/40%          | 60%/40%          | 60%/40%                | not covered            | not covered          |
| Co-Insurance Limit - Individual/Family (after Deductible)     | \$5,000/\$10,000 | \$5,000/\$10,000 | \$5,000/\$10,000 | None                   | not covered            | not covered          |
| Max. Out-of-Pocket (Deductible + Co-Insurance )               | \$6,000/\$12,000 | \$6,500/\$13,000 | \$8,000/\$16,000 | None                   | not covered            | not covered          |

\*Deductible & Co-Insurance also applies





# Employee Contribution Strategy

## Unadjusted Rates

- Past Practice
- Plan is heavily exposed to selection risk

## Risk Adjusted Rates

- Best Practice
- Employee contributions set based on a “base” plan
- Employee buys up/down into more expensive/cheaper plan based on benefit differential cost
- Insulates plan from migration/selection

Change of methodology can lead to significant changes in employee contribution for some employees



# Strategy Comparison

## (Illustration uses PSE rates)

|                            | Baseline Population   |                          |  | 8,000 Migrate from Premium |                          |  | % Difference          |                          |
|----------------------------|-----------------------|--------------------------|--|----------------------------|--------------------------|--|-----------------------|--------------------------|
| Actives                    | Unadjusted Total Rate | Risk Adjusted Total Rate |  | Unadjusted Total Rate      | Risk Adjusted Total Rate |  | Unadjusted Total Rate | Risk Adjusted Total Rate |
| Premium                    |                       |                          |  |                            |                          |  |                       |                          |
| Employee Only              | \$577.04              | \$421.66                 |  | \$666.68                   | \$417.12                 |  | 16%                   | -1%                      |
| Employee & Spouse          | 1,302.90              | 933.04                   |  | 1,516.46                   | 922.44                   |  | 16%                   | -1%                      |
| Employee & Child(ren)      | 1,067.52              | 767.20                   |  | 1,240.88                   | 758.58                   |  | 16%                   | -1%                      |
| Family                     | 1,793.38              | 1,278.56                 |  | 2,090.68                   | 1,263.90                 |  | 17%                   | -1%                      |
| Est. Monthly Total (\$mil) | \$15.8                | \$11.5                   |  | \$12.1                     | \$7.5                    |  | -23%                  | -35%                     |
| Classic                    |                       |                          |  |                            |                          |  |                       |                          |
| Employee Only              | \$262.38              | \$366.08                 |  | \$272.20                   | \$362.40                 |  | 4%                    | -1%                      |
| Employee & Spouse          | 541.62                | 803.52                   |  | 564.90                     | 794.64                   |  | 4%                    | -1%                      |
| Employee & Child(ren)      | 459.18                | 661.66                   |  | 478.08                     | 654.46                   |  | 4%                    | -1%                      |
| Family                     | 713.42                | 1,099.08                 |  | 745.80                     | 1,086.72                 |  | 5%                    | -1%                      |
| Est. Monthly Total (\$mil) | \$7.0                 | \$10.2                   |  | \$9.3                      | \$12.7                   |  | 32%                   | 25%                      |
| Basic                      |                       |                          |  |                            |                          |  |                       |                          |
| Employee Only              | \$144.28              | \$322.12                 |  | \$148.12                   | \$318.92                 |  | 3%                    | -1%                      |
| Employee & Spouse          | 260.32                | 698.66                   |  | 269.40                     | 691.00                   |  | 3%                    | -1%                      |
| Employee & Child(ren)      | 230.80                | 576.54                   |  | 238.16                     | 570.34                   |  | 3%                    | -1%                      |
| Family                     | 321.84                | 953.08                   |  | 334.44                     | 942.42                   |  | 4%                    | -1%                      |
| Est. Monthly Total (\$mil) | \$0.9                 | \$2.2                    |  | \$1.2                      | \$2.8                    |  | 33%                   | 25%                      |
| Total (Monthly) (\$ mil)   | \$23.7                | \$23.9                   |  | \$22.6                     | \$23.0                   |  | -5%                   | -4%                      |
| Est Annual Total (\$ mil)  | \$284.5               | \$286.5                  |  | \$270.8                    | \$276.3                  |  | -5%                   | -4%                      |
| Total Actives & Retirees   | \$325.1               | \$325.1                  |  | \$314.7                    | \$314.7                  |  | -3%                   | -3%                      |



# ASE Preliminary Active Rates

## Risk Adjusted

| Actives  | Risk Adjusted Total Rate | State Contrib. | Reserve Used / (Added) | 2015 Employee Cost with & without Wellness Visit |          | 2014 Employee Cost | Change in EE Cost (\$/%) with & without Wellness Visit |      |          |      | Assumed Enrollment |
|--|--------------------------|----------------|------------------------|--|----------|--------------------|--|------|----------|------|--------------------|
| Premium  |                          |                |                        | with   | without* | 2014 Gold          | with   |      | without  |      |                    |
| Employee Only                                  | \$431.08                 | \$305.75       | \$20.55                | \$104.78   | \$179.78 | \$96.68            | \$8.10   | 8%   | \$83.10  | 86%  | 14,304             |
| Employee & Spouse                              | 968.92                   | 552.69         | 37.15                  | 379.08   | 454.08   | 371.24             | 7.84   | 2%   | 82.84    | 22%  | 3,155              |
| Employee & Child(ren)                          | 723.48                   | 481.10         | 32.34                  | 210.04   | 285.04   | 195.48             | 14.56  | 7%   | 89.56    | 46%  | 4,970              |
| Family   | 1,261.32                 | 728.04         | 48.94                  | 484.34   | 559.34   | 423.60             | 60.74  | 14%  | 135.74   | 32%  | 3,403              |
| Est. Monthly Total (\$mil)                     | \$17.1                   | \$11.0         | \$0.7                  | \$5.4  | \$0.2    | \$5.0              | \$0.4  | 8%   | \$0.2    | 47%  | 25,832             |
| Classic  |                          |                |                        |  |          | 2014 Bronze        |  |      |          |      |                    |
| Employee Only                                  | \$372.78                 | \$305.75       | \$20.55                | \$46.48  | \$121.48 | \$0.00             | \$46.48  | n/a  | \$121.48 | n/a  | 952                |
| Employee & Spouse                              | 832.86                   | 552.69         | 37.15                  | 243.02   | 318.02   | 77.96              | 165.06   | 212% | 240.06   | 308% | 280                |
| Employee & Child(ren)                          | 622.90                   | 481.10         | 32.34                  | 109.46   | 184.46   | 28.10              | 81.36  | 290% | 156.36   | 556% | 249                |
| Family   | 1,082.96                 | 728.02         | 48.94                  | 306.00   | 381.00   | 93.08              | 212.92   | 229% | 287.92   | 309% | 346                |
| Est. Monthly Total (\$mil)                     | \$1.1                    | \$0.8          | \$0.1                  | \$0.2  | \$0.0    | \$0.1              | \$0.2  | 302% | \$0.0    | 527% | 1,827              |
| Basic  |                          |                |                        |  |          | 2014 Bronze        |  |      |          |      |                    |
| Employee Only                                  | \$326.30                 | \$305.75       | \$20.55                | \$0.00   | \$75.00  | \$0.00             | \$0.00   | n/a  | \$75.00  | n/a  | 238                |
| Employee & Spouse                              | 722.32                   | 552.69         | 37.15                  | 132.48   | 207.48   | 77.96              | 54.52  | 70%  | 129.52   | 166% | 70                 |
| Employee & Child(ren)                          | 541.60                   | 481.10         | 32.34                  | 28.16  | 103.16   | 28.10              | 0.06   | 0%   | 75.06    | 267% | 62                 |
| Family   | 937.62                   | 728.04         | 48.94                  | 160.64   | 235.64   | 93.08              | 67.56  | 73%  | 142.56   | 153% | 86                 |
| Est. Monthly Total (\$mil)                     | \$0.2                    | \$0.2          | \$0.0                  | \$0.0  | \$0.0    | \$0.0              | \$0.0  | 63%  | \$0.0    | 288% | 457                |
| Total (Monthly) (\$ mil)                       | \$18.5                   | \$12.0         | \$0.8                  | \$5.7  | \$0.2    | \$5.0              | \$0.6/\$0.8  |      | 12%/16%  |      | 28,115             |
| Est Annual Total (\$ mil)                      | \$221.7                  | \$144.1        | \$9.7                  | \$67.9   | \$2.5    | \$60.5             | \$7.4/\$9.9  |      | 12%/16%  |      |                    |
| vs 2014 plan elections - with/without wellness |                          |                | \$9.7                  | \$67.9   | \$2.5    | \$65.1             | \$2.8/\$5.3  |      | 4%/8%    |      |                    |

|                             |         |         |        |         |       |        |        |     |        |     |        |
|-----------------------------|---------|---------|--------|---------|-------|--------|--------|-----|--------|-----|--------|
| Total Active & Ret (\$ mil) | \$291.3 | \$173.3 | \$11.6 | \$106.3 | \$2.5 | \$94.8 | \$11.6 | 12% | \$14.1 | 15% | 39,574 |
|-----------------------------|---------|---------|--------|---------|-------|--------|--------|-----|--------|-----|--------|

\*Already subtracted from Total Rates

Assumes 90% of population pays discounted rates. If assume 100%, increase all rates by \$7.50. If less, reduce rates by \$7.50 for each 10%.

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



# ASE Preliminary Retiree Rates

## Risk adjusted

| NME Retirees               | Risk Adjusted Total Rate | State Contrib. | Reserve Used / (Added) | 2015 Retiree Cost | 2014 Total Retiree Cost | Change in Retiree Cost (\$/%) |      | Assumed Enrollment |
|----------------------------|--------------------------|----------------|------------------------|-------------------|-------------------------|-------------------------------|------|--------------------|
| <b>Premium</b>             |                          |                |                        |                   | <b>2014 Gold</b>        |                               |      |                    |
| Retiree Only               | \$431.08                 | \$161.58       | \$10.86                | \$258.64          | \$237.98                | \$20.66                       | 9%   | 1,900              |
| Retiree & NME SP           | 968.92                   | 287.57         | 19.33                  | 662.02            | 581.36                  | 80.66                         | 14%  | 606                |
| Retiree & Child(ren)       | 723.48                   | 230.08         | 15.46                  | 477.94            | 444.02                  | 33.92                         | 8%   | 104                |
| Retiree & NME SP&CH        | 1,261.32                 | 356.07         | 23.93                  | 881.32            | 925.42                  | (44.10)                       | -5%  | 39                 |
| Retiree & ME SP            | 790.98                   | 272.86         | 18.34                  | 499.78            | 405.36                  | 94.42                         | 23%  | 251                |
| Retiree & ME SP & CH       | 1,083.38                 | 341.36         | 22.94                  | 719.08            | 612.54                  | 106.54                        | 17%  | 9                  |
| Est. Monthly Total (\$mil) | \$1.7                    | \$0.6          | \$0.0                  | \$1.1             | \$1.0                   | \$0.1                         | 12%  | 2,909              |
| <b>Classic</b>             |                          |                |                        |                   | <b>2014 Bronze</b>      |                               |      |                    |
| Employee Only              | \$372.78                 | \$161.58       | \$10.86                | \$200.34          | \$147.86                | \$52.48                       | 35%  | 27                 |
| Employee & Spouse          | 832.86                   | 287.57         | 19.33                  | 525.96            | 303.78                  | 222.18                        | 73%  | 18                 |
| Employee & Child(ren)      | 622.90                   | 230.08         | 15.46                  | 377.36            | 204.06                  | 173.30                        | 85%  | 4                  |
| Family                     | 1,082.96                 | 356.05         | 23.93                  | 702.98            | 334.02                  | 368.96                        | 110% | 12                 |
| Est. Monthly Total (\$mil) | \$0.0                    | \$0.0          | \$0.0                  | \$0.0             | \$0.0                   | \$0.0                         | 74%  | 60                 |
| <b>Basic</b>               |                          |                |                        |                   | <b>2014 Bronze</b>      |                               |      |                    |
| Employee Only              | \$326.30                 | \$161.58       | \$10.86                | \$153.86          | \$147.86                | \$6.00                        | 4%   | 3                  |
| Employee & Spouse          | 722.32                   | 287.57         | 19.33                  | 415.42            | 303.78                  | 111.64                        | 37%  | 2                  |
| Employee & Child(ren)      | 541.60                   | 230.08         | 15.46                  | 296.06            | 204.06                  | 92.00                         | 45%  | 0                  |
| Family                     | 937.62                   | 356.07         | 23.93                  | 557.62            | 334.02                  | 223.60                        | 67%  | 1                  |
| Est. Monthly Total (\$mil) | \$0.0                    | \$0.0          | \$0.0                  | \$0.0             | \$0.0                   | \$0.0                         | 37%  | 7                  |
| Total (Monthly) (\$ mil)   | \$1.8                    | \$0.6          | \$0.0                  | \$1.1             | \$1.0                   | \$0.1                         | 12%  | 2,975              |
| Est Annual Total (\$ mil)  | \$21.4                   | \$7.3          | \$0.5                  | \$13.6            | \$12.1                  | \$1.5                         |      |                    |
| <b>Medicare Eligible</b>   |                          |                |                        |                   |                         |                               |      |                    |
| Retiree Only               | \$359.90                 | \$185.48       | \$12.46                | \$161.96          | \$148.10                | \$13.86                       | 9%   | 5,797              |
| Retiree & NME SP           | 790.99                   | 211.44         | 14.21                  | 565.34            | 480.82                  | 84.52                         | 18%  | 399                |
| Retiree & Child(ren)       | 692.50                   | 291.64         | 19.60                  | 381.26            | 347.70                  | 33.56                         | 10%  | 62                 |
| Retiree & NME SP&CH        | 1,190.13                 | 379.95         | 25.54                  | 784.64            | 680.46                  | 104.18                        | 15%  | 34                 |
| Retiree & ME SP            | 697.31                   | 289.81         | 19.48                  | 388.02            | 340.86                  | 47.16                         | 14%  | 2,170              |
| Retiree & ME SP & CH       | 1,029.90                 | 395.97         | 26.61                  | 607.32            | 540.48                  | 66.84                         | 12%  | 21                 |
| Est. Monthly Total (\$mil) | \$4.0                    | \$1.8          | \$0.1                  | \$2.1             | \$1.8                   | \$0.2                         | 12%  | 8,483              |
| Total (Est. Annual)        | \$48.2                   | \$21.9         | \$1.5                  | \$24.8            | \$22.2                  | \$2.7                         |      |                    |

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



# PSE Preliminary Active Rates (Unadjusted – 8,000 Migrate)

| Actives   | Unadjusted Total Rate | Direct State Contrib. | Reserve Used / (Added) | School District Contrib. | 2015 Employee Cost with & without Wellness Visit |          | 2014 Employee Cost | Change in EE Cost (\$/%) with & without Wellness Visit |      |          |       | Assumed Enrollment |
|---|-----------------------|-----------------------|------------------------|--------------------------|--|----------|--------------------|--|------|----------|-------|--------------------|
| Premium   |                       |                       |                        |                          | with   | without* | 2014 Silver        | with   |      | without  |       |                    |
| Employee Only   | \$666.68              | \$299.46              | \$10.04                | \$153.00                 | \$204.18   | \$279.18 | \$173.32           | \$30.86  | 18%  | \$105.86 | 61%   | 13,281             |
| Employee & Spouse   | 1,516.46              | 424.22                | 14.22                  | 153.00                   | 925.02   | 1,000.02 | 785.24             | 139.78   | 18%  | 214.78   | 27%   | 313                |
| Employee & Child(ren)   | 1,240.88              | 545.94                | 18.30                  | 153.00                   | 523.64   | 598.64   | 444.52             | 79.12  | 18%  | 154.12   | 35%   | 1,473              |
| Family  | 2,090.68              | 977.39                | 32.77                  | 153.00                   | 927.52   | 1,002.52 | 787.36             | 140.16   | 18%  | 215.16   | 27%   | 466                |
| Est. Monthly Total (\$mil)  | \$12.1                | \$5.4                 | \$0.2                  | \$2.4                    | \$4.2  | \$0.1    | \$3.6              | \$0.6  | 18%  | \$0.1    | 50%   | 15,533             |
| Classic   |                       |                       |                        |                          |  |          | 2014 Bronze        |  |      |          |       |                    |
| Employee Only   | \$272.20              | \$57.28               | \$1.92                 | \$153.00                 | \$60.00  | \$135.00 | \$11.00            | \$49.00  | 445% | \$124.00 | 1127% | 17,063             |
| Employee & Spouse   | 564.90                | 0.00                  | (28.18)                | 153.00                   | 440.08   | 515.08   | 266.72             | 173.36   | 65%  | 248.36   | 93%   | 1,276              |
| Employee & Child(ren)   | 478.08                | 124.29                | 4.17                   | 153.00                   | 196.62   | 271.62   | 119.16             | 77.46  | 65%  | 152.46   | 128%  | 3,743              |
| Family  | 745.80                | 143.31                | 4.81                   | 153.00                   | 444.68   | 519.68   | 269.50             | 175.18   | 65%  | 250.18   | 93%   | 2,820              |
| Est. Monthly Total (\$mil)  | \$9.3                 | \$1.8                 | \$0.0                  | \$3.8                    | \$3.6  | \$0.2    | \$1.7              | \$1.8  | 106% | \$0.2    | 214%  | 24,902             |
| Basic   |                       |                       |                        |                          |  |          | 2014 Bronze        |  |      |          |       |                    |
| Employee Only   | \$148.12              | \$0.00                | (\$15.88)              | \$153.00                 | \$11.00  | \$86.00  | \$11.00            | \$0.00   | 0%   | \$75.00  | 682%  | 4,266              |
| Employee & Spouse   | 269.40                | 0.00                  | (150.32)               | 153.00                   | 266.72   | 341.72   | 266.72             | 0.00   | 0%   | 75.00    | 28%   | 319                |
| Employee & Child(ren)   | 238.16                | 0.00                  | (34.00)                | 153.00                   | 119.16   | 194.16   | 119.16             | 0.00   | 0%   | 75.00    | 63%   | 936                |
| Family  | 334.44                | 0.00                  | (88.06)                | 153.00                   | 269.50   | 344.50   | 269.50             | 0.00   | 0%   | 75.00    | 28%   | 705                |
| Est. Monthly Total (\$mil)  | \$1.2                 | \$0.0                 | (\$0.2)                | \$1.0                    | \$0.4  | \$0.0    | \$0.4              | \$0.0  | 0%   | \$0.0    | 108%  | 6,225              |
| Total (Monthly) (\$ mil)  | \$22.6                | \$7.2                 | (\$0.0)                | \$7.1                    | \$8.2  | \$0.3    | \$5.7              | \$2.5/\$2.8  |      | 43%/49%  |       | 46,661             |
| Est Annual Total (\$ mil)   | \$270.8               | \$86.6                | (\$0.0)                | \$85.7                   | \$98.6   | \$4.2    | \$68.8             | \$29.7/\$33.9  |      | 43%/49%  |       |                    |
| vs 2014 plan elections (minimum District) - with/without wellness   |                       |                       |                        | \$85.7                   | \$98.6   | \$4.2    | \$108.1            | -\$9.5/-5.3  |      | -9%-5%   |       |                    |
| vs 2014 plan elections (estimated District) - with/without wellness |                       |                       |                        | \$103.3                  | \$80.9   | \$4.2    | \$90.4             | -\$9.5/-5.3  |      | -11%-6%  |       |                    |
| Total Active & Ret (\$ mil)   | \$314.7               | \$86.6                | \$0.0                  | \$85.7                   | \$142.4  | \$4.2    | \$102.3            | \$40.1   | 39%  | \$44.3   | 43%   | 60,827             |

\*Already subtracted from Total Rates

Assumes 90% of population pays discounted rates. If assume 100%, increase all rates by \$7.50. If less, reduce rates by \$7.50 for each 10%.

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



# PSE Preliminary Active Rates (Risk Adjusted – 8,000 Migrate)

| Actives   | Risk Adjusted Total Rate | Direct State Contrib. | Reserve Used / (Added) | School District Contrib. | 2015 Employee Cost with & without Wellness Visit |          | 2014 Employee Cost | Change in EE Cost (\$/%) with & without Wellness Visit |      |          |       | Assumed Enrollment |
|---|--------------------------|-----------------------|------------------------|--------------------------|--|----------|--------------------|--|------|----------|-------|--------------------|
| Premium   |                          |                       |                        |                          | with   | without* | 2014 Silver        | with   |      | without  |       |                    |
| Employee Only   | \$417.12                 | \$125.74              | \$0.00                 | \$153.00                 | \$138.38   | \$213.38 | \$173.32           | (\$34.94)  | -20% | \$40.06  | 23%   | 13,281             |
| Employee & Spouse   | 922.44                   | 138.32                | 0.00                   | 153.00                   | 631.12   | 706.12   | 785.24             | (154.12)   | -20% | (79.12)  | -10%  | 313                |
| Employee & Child(ren)   | 758.58                   | 251.48                | 0.00                   | 153.00                   | 354.10   | 429.10   | 444.52             | (90.42)  | -20% | (15.42)  | -3%   | 1,473              |
| Family  | 1,263.90                 | 264.06                | 0.00                   | 153.00                   | 846.84   | 921.84   | 787.36             | 59.48  | 8%   | 134.48   | 17%   | 466                |
| Est. Monthly Total (\$mil)  | \$7.5                    | \$2.2                 | \$0.0                  | \$2.4                    | \$3.0  | \$0.1    | \$3.6              | (\$0.6)  | -17% | \$0.1    | 15%   | 15,533             |
| Classic   |                          |                       |                        |                          |  |          | 2014 Bronze        |  |      |          |       |                    |
| Employee Only   | \$362.40                 | \$125.74              | \$0.00                 | \$153.00                 | \$83.66  | \$158.66 | \$11.00            | \$72.66  | 661% | \$147.66 | 1342% | 17,063             |
| Employee & Spouse   | 794.64                   | 138.32                | 0.00                   | 153.00                   | 503.32   | 578.32   | 266.72             | 236.60   | 89%  | 311.60   | 117%  | 1,276              |
| Employee & Child(ren)   | 654.46                   | 251.48                | 0.00                   | 153.00                   | 249.98   | 324.98   | 119.16             | 130.82   | 110% | 205.82   | 173%  | 3,743              |
| Family  | 1,086.72                 | 264.06                | 0.00                   | 153.00                   | 669.66   | 744.66   | 269.50             | 400.16   | 148% | 475.16   | 176%  | 2,820              |
| Est. Monthly Total (\$mil)  | \$12.7                   | \$4.0                 | \$0.0                  | \$3.8                    | \$4.9  | \$0.2    | \$1.7              | \$3.2  | 182% | \$0.2    | 290%  | 24,902             |
| Basic   |                          |                       |                        |                          |  |          | 2014 Bronze        |  |      |          |       |                    |
| Employee Only   | \$318.92                 | \$125.74              | \$0.00                 | \$153.00                 | \$40.18  | \$115.18 | \$11.00            | \$29.18  | 265% | \$104.18 | 947%  | 4,266              |
| Employee & Spouse   | 691.00                   | 138.32                | 0.00                   | 153.00                   | 399.68   | 474.68   | 266.72             | 132.96   | 50%  | 207.96   | 78%   | 319                |
| Employee & Child(ren)   | 570.34                   | 251.48                | 0.00                   | 153.00                   | 165.86   | 240.86   | 119.16             | 46.70  | 39%  | 121.70   | 102%  | 936                |
| Family  | 942.42                   | 264.06                | 0.00                   | 153.00                   | 525.36   | 600.36   | 269.50             | 255.86   | 95%  | 330.86   | 123%  | 705                |
| Est. Monthly Total (\$mil)  | \$2.8                    | \$1.0                 | \$0.0                  | \$1.0                    | \$0.8  | \$0.0    | \$0.4              | \$0.4  | 90%  | \$0.0    | 198%  | 6,225              |
| Total (Monthly) (\$ mil)  | \$23.0                   | \$7.2                 | \$0.0                  | \$7.1                    | \$8.7  | \$0.3    | \$5.7              | \$2.9/\$3.3  |      | 51%/57%  |       | 46,661             |
| Est Annual Total (\$ mil)   | \$276.3                  | \$86.6                | \$0.0                  | \$85.7                   | \$104.0  | \$4.2    | \$68.8             | \$35.2/\$39.4  |      | 51%/57%  |       |                    |
| vs 2014 plan elections (minimum District) - with/without wellness   |                          |                       |                        | \$85.7                   | \$104.0  | \$4.2    | \$108.1            | -\$4.0/\$0.2   |      | -4%/0%   |       |                    |
| vs 2014 plan elections (estimated District) - with/without wellness |                          |                       |                        | \$103.3                  | \$86.4   | \$4.2    | \$90.4             | -\$4.0/\$0.2   |      | -4%/0%   |       |                    |
| Total Active & Ret (\$ mil)   | \$314.7                  | \$86.6                | \$0.0                  | \$85.7                   | \$142.4  | \$4.2    | \$102.3            | \$40.1   | 39%  | \$44.3   | 43%   | 60,827             |

\*Already subtracted from Total Rates

Assumes 90% of population pays discounted rates. If assume 100%, increase all rates by \$7.50. If less, reduce rates by \$7.50 for each 10%.

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





# PSE Preliminary Active Rates (Blended – 8,000 Migrate)

| Actives                   | Unadj Rate:<br>Employee<br>Cost | 25% Risk Adj<br>Employee Cost | 50% Risk Adj<br>Employee Cost | 75% Risk Adj<br>Employee Cost | Risk Adj<br>Rate: Ee<br>Cost | 2014 Employee Cost |             | Assumed<br>Enrollment |
|---------------------------|---------------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------|--------------------|-------------|-----------------------|
| Premium                   |                                 |                               |                               |                               |                              | 2014 Gold          | 2014 Silver |                       |
| Employee Only             | \$204.18                        | \$187.73                      | \$171.28                      | \$154.83                      | \$138.38                     | \$249.38           | \$173.32    | 13,281                |
| Employee & Spouse         | 925.02                          | 851.55                        | 778.07                        | 704.60                        | 631.12                       | 1,129.92           | 785.24      | 313                   |
| Employee & Child(ren)     | 523.64                          | 481.26                        | 438.87                        | 396.49                        | 354.10                       | 639.62             | 444.52      | 1,473                 |
| Family                    | 927.52                          | 907.35                        | 887.18                        | 867.01                        | 846.84                       | 1,132.96           | 787.36      | 466                   |
|                           | \$4.2                           | \$3.9                         | \$3.6                         | \$3.3                         | \$3.0                        |                    |             | 15,533                |
| Classic                   |                                 |                               |                               |                               |                              | 2014 Bronze        |             |                       |
| Employee Only             | \$60.00                         | \$65.92                       | \$71.83                       | \$77.75                       | \$83.66                      | \$11.00            |             | 17,063                |
| Employee & Spouse         | 440.08                          | 455.89                        | 471.70                        | 487.51                        | 503.32                       | 266.72             |             | 1,276                 |
| Employee & Child(ren)     | 196.62                          | 209.96                        | 223.30                        | 236.64                        | 249.98                       | 119.16             |             | 3,743                 |
| Family                    | 444.68                          | 500.93                        | 557.17                        | 613.42                        | 669.66                       | 269.50             |             | 2,820                 |
|                           | \$3.6                           | \$3.9                         | \$4.2                         | \$4.6                         | \$4.9                        |                    |             | 24,902                |
| Basic                     |                                 |                               |                               |                               |                              | 2014 Bronze        |             |                       |
| Employee Only             | \$11.00                         | \$18.30                       | \$25.59                       | \$32.89                       | \$40.18                      | \$11.00            |             | 4,266                 |
| Employee & Spouse         | 266.72                          | 299.96                        | 333.20                        | 366.44                        | 399.68                       | 266.72             |             | 319                   |
| Employee & Child(ren)     | 119.16                          | 130.84                        | 142.51                        | 154.19                        | 165.86                       | 119.16             |             | 936                   |
| Family                    | 269.50                          | 333.47                        | 397.43                        | 461.40                        | 525.36                       | 269.50             |             | 705                   |
|                           | \$0.4                           | \$0.5                         | \$0.6                         | \$0.7                         | \$0.8                        |                    |             | 6,225                 |
| Total (Monthly) (\$ mil)  | \$8.2                           | \$8.3                         | \$8.4                         | \$8.6                         | \$8.7                        |                    |             | 46,661                |
| Est Annual Total (\$ mil) | \$98.6                          | \$99.9                        | \$101.3                       | \$102.7                       | \$104.0                      |                    |             |                       |

Assumes 90% of population pays discounted rates. If assume 100%, increase all rates by \$7.50. If less, reduce rates by \$7.50 for each 10%.

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



# PSE Preliminary Retiree Rates

## (Blended – 8,000 Actives Migrate)

| NME Retirees               | Unadj Rate:<br>Retiree Cost | 25% Risk Adj<br>Retiree Cost | 50% Risk Adj<br>Retiree Cost | 75% Risk Adj<br>Retiree Cost | Risk Adj<br>Rate: Ret.<br>Cost | 2014 Retiree Cost |             | Assumed<br>Enrollment |
|----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|--------------------------------|-------------------|-------------|-----------------------|
| Premium                    |                             |                              |                              |                              |                                | 2014 Gold         | 2014 Silver |                       |
| Retiree Only               | \$666.68                    | \$604.29                     | \$541.90                     | \$479.51                     | \$417.12                       | \$566.72          | \$426.54    | 2,056                 |
| Retiree & NME SP           | 1,516.46                    | 1,367.96                     | 1,219.45                     | 1,070.95                     | 922.44                         | 1,360.06          | 1,107.40    | 143                   |
| Retiree & Child(ren)       | 1,240.88                    | 1,120.31                     | 999.73                       | 879.16                       | 758.58                         | 1,048.24          | 779.76      | 21                    |
| Retiree & NME SP&CH        | 2,090.68                    | 1,883.99                     | 1,677.29                     | 1,470.60                     | 1,263.90                       | 1,841.60          | 1,363.04    | 15                    |
| Retiree & ME SP            | 835.78                      | 773.39                       | 711.00                       | 648.61                       | 586.22                         | 720.18            |             | 156                   |
| Retiree & ME SP & CH       | 1,409.98                    | 1,289.41                     | 1,168.83                     | 1,048.26                     | 927.68                         | 1,201.70          |             | -                     |
| Est. Monthly Total (\$mil) | \$1.8                       | \$1.6                        | \$1.4                        | \$1.3                        | \$1.1                          |                   |             | 2,391                 |
| Classic                    |                             |                              |                              |                              |                                | 2014 Bronze       |             |                       |
| Employee Only              | \$272.20                    | \$294.75                     | \$317.30                     | \$339.85                     | \$362.40                       | \$267.66          |             | 1,254                 |
| Employee & Spouse          | 564.90                      | 622.34                       | 679.77                       | 737.21                       | 794.64                         | 600.98            |             | 243                   |
| Employee & Child(ren)      | 478.08                      | 522.18                       | 566.27                       | 610.37                       | 654.46                         | 468.20            |             | 32                    |
| Family                     | 745.80                      | 831.03                       | 916.26                       | 1,001.49                     | 1,086.72                       | 801.52            |             | 43                    |
| Est. Monthly Total (\$mil) | \$0.5                       | \$0.6                        | \$0.6                        | \$0.7                        | \$0.7                          |                   |             | 1,571                 |
| Basic                      |                             |                              |                              |                              |                                | 2014 Bronze       |             |                       |
| Employee Only              | \$148.12                    | \$190.82                     | \$233.52                     | \$276.22                     | \$318.92                       | \$267.66          |             | 139                   |
| Employee & Spouse          | 269.40                      | 374.80                       | 480.20                       | 585.60                       | 691.00                         | 600.98            |             | 27                    |
| Employee & Child(ren)      | 238.16                      | 321.21                       | 404.25                       | 487.30                       | 570.34                         | 468.20            |             | 4                     |
| Family                     | 334.44                      | 486.44                       | 638.43                       | 790.43                       | 942.42                         | 801.52            |             | 5                     |
| Est. Monthly Total (\$mil) | \$0.0                       | \$0.0                        | \$0.0                        | \$0.1                        | \$0.1                          |                   |             | 175                   |
| Total (Monthly) (\$ mil)   | \$2.3                       | \$2.2                        | \$2.1                        | \$2.0                        | \$1.9                          |                   |             | 4,137                 |
| Est Annual Total (\$ mil)  | \$28.0                      | \$26.7                       | \$25.4                       | \$24.1                       | \$22.8                         |                   |             |                       |
| Medicare Eligible          |                             |                              |                              |                              |                                |                   |             |                       |
| Retiree Only               | \$109.23                    | \$109.23                     | \$109.23                     | \$109.23                     | \$109.23                       | \$81.68           |             | 9,090                 |
| Retiree & NME SP           | 824.58                      | 762.19                       | 699.81                       | 637.42                       | 575.03                         | 708.98            |             | 96                    |
| Retiree & Child(ren)       | 794.36                      | 735.04                       | 675.71                       | 616.39                       | 557.06                         | 665.66            |             | 17                    |
| Retiree & NME SP&CH        | 1,593.10                    | 1,448.79                     | 1,304.48                     | 1,160.17                     | 1,015.87                       | 1,310.62          |             | 1                     |
| Retiree & ME SP            | 285.78                      | 285.78                       | 285.78                       | 285.78                       | 285.78                         | 271.04            |             | 825                   |
| Retiree & ME SP & CH       | 940.96                      | 881.64                       | 822.32                       | 762.99                       | 703.67                         | 788.44            |             | -                     |
| Est. Monthly Total (\$mil) | \$1.3                       | \$1.3                        | \$1.3                        | \$1.3                        | \$1.3                          |                   |             | 10,030                |
| Total (Est. Annual)        | \$15.9                      | \$15.8                       | \$15.7                       | \$15.6                       | \$15.5                         |                   |             |                       |

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





# PSE Preliminary Active Rates excluding Part Time and Bariatric Surgery (Blended - 8,000 Migrate)

| Actives                   | Unadj Rate:<br>Employee<br>Cost | 25% Risk Adj<br>Employee Cost | 50% Risk Adj<br>Employee Cost | 75% Risk Adj<br>Employee Cost | Risk Adj<br>Rate: Ee<br>Cost | 2014 Employee Cost |             | Assumed<br>Enrollment |
|---------------------------|---------------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------|--------------------|-------------|-----------------------|
| Premium                   |                                 |                               |                               |                               |                              | 2014 Gold          | 2014 Silver |                       |
| Employee Only             | \$192.38                        | \$175.59                      | \$158.80                      | \$142.01                      | \$125.22                     | \$249.38           | \$173.32    | 12,142                |
| Employee & Spouse         | 871.62                          | 807.22                        | 742.82                        | 678.42                        | 614.02                       | 1,129.92           | 785.24      | 287                   |
| Employee & Child(ren)     | 493.42                          | 451.89                        | 410.35                        | 368.82                        | 327.28                       | 639.62             | 444.52      | 1,347                 |
| Family                    | 873.96                          | 859.49                        | 845.02                        | 830.55                        | 816.08                       | 1,132.96           | 787.36      | 427                   |
|                           | \$3.6                           | \$3.3                         | \$3.1                         | \$2.8                         | \$2.5                        |                    |             | 14,203                |
| Classic                   |                                 |                               |                               |                               |                              | 2014 Bronze        |             |                       |
| Employee Only             | \$50.00                         | \$55.20                       | \$60.39                       | \$65.59                       | \$70.78                      | \$11.00            |             | 15,601                |
| Employee & Spouse         | 373.40                          | 401.78                        | 430.16                        | 458.54                        | 486.92                       | 266.72             |             | 1,166                 |
| Employee & Child(ren)     | 166.82                          | 181.05                        | 195.28                        | 209.51                        | 223.74                       | 119.16             |             | 3,422                 |
| Family                    | 377.30                          | 442.95                        | 508.59                        | 574.24                        | 639.88                       | 269.50             |             | 2,578                 |
|                           | \$2.8                           | \$3.1                         | \$3.4                         | \$3.8                         | \$4.1                        |                    |             | 22,767                |
| Basic                     |                                 |                               |                               |                               |                              | 2014 Bronze        |             |                       |
| Employee Only             | \$11.00                         | \$15.14                       | \$19.28                       | \$23.42                       | \$27.56                      | \$11.00            |             | 3,900                 |
| Employee & Spouse         | 266.72                          | 296.00                        | 325.28                        | 354.56                        | 383.84                       | 266.72             |             | 292                   |
| Employee & Child(ren)     | 119.16                          | 124.39                        | 129.62                        | 134.85                        | 140.08                       | 119.16             |             | 856                   |
| Family                    | 269.50                          | 326.22                        | 382.94                        | 439.66                        | 496.38                       | 269.50             |             | 645                   |
|                           | \$0.4                           | \$0.5                         | \$0.5                         | \$0.6                         | \$0.7                        |                    |             | 5,692                 |
| Total (Monthly) (\$ mil)  | \$6.8                           | \$6.9                         | \$7.0                         | \$7.1                         | \$7.2                        |                    |             | 42,662                |
| Est Annual Total (\$ mil) | \$81.3                          | \$82.7                        | \$84.1                        | \$85.4                        | \$86.8                       |                    |             |                       |

Assumes 90% of population pays discounted rates. If assume 100%, increase all rates by \$7.50. If less, reduce rates by \$7.50 for each 10%.

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



# PSE Preliminary Retiree Rates excluding Part Time and Bariatric Surgery (8,000 Actives Migrate)

| NME Retirees               | Unadj Rate:<br>Retiree Cost | 25% Risk Adj<br>Retiree Cost | 50% Risk Adj<br>Retiree Cost | 75% Risk Adj<br>Retiree Cost | Risk Adj<br>Rate: Ret.<br>Cost | 2014 Retiree Cost |             | Assumed<br>Enrollment |
|----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|--------------------------------|-------------------|-------------|-----------------------|
| Premium                    |                             |                              |                              |                              |                                | 2014 Gold         | 2014 Silver |                       |
| Retiree Only               | \$662.52                    | \$600.83                     | \$539.13                     | \$477.44                     | \$415.74                       | \$566.72          | \$426.54    | 2,056                 |
| Retiree & NME SP           | 1,505.76                    | 1,358.90                     | 1,212.03                     | 1,065.17                     | 918.30                         | 1,360.06          | 1,107.40    | 143                   |
| Retiree & Child(ren)       | 1,232.30                    | 1,113.06                     | 993.81                       | 874.57                       | 755.32                         | 1,048.24          | 779.76      | 21                    |
| Retiree & NME SP&CH        | 2,075.54                    | 1,871.13                     | 1,666.71                     | 1,462.30                     | 1,257.88                       | 1,841.60          | 1,363.04    | 15                    |
| Retiree & ME SP            | 831.62                      | 769.93                       | 708.23                       | 646.54                       | 584.84                         | 720.18            |             | 156                   |
| Retiree & ME SP & CH       | 1,401.40                    | 1,282.16                     | 1,162.91                     | 1,043.67                     | 924.42                         | 1,201.70          |             | -                     |
| Est. Monthly Total (\$mil) | \$1.8                       | \$1.6                        | \$1.4                        | \$1.3                        | \$1.1                          |                   |             | 2,391                 |
| Classic                    |                             |                              |                              |                              |                                | 2014 Bronze       |             |                       |
| Employee Only              | \$270.98                    | \$293.56                     | \$316.14                     | \$338.72                     | \$361.30                       | \$267.66          |             | 1,254                 |
| Employee & Spouse          | 561.16                      | 618.67                       | 676.18                       | 733.69                       | 791.20                         | 600.98            |             | 243                   |
| Employee & Child(ren)      | 475.16                      | 519.32                       | 563.47                       | 607.63                       | 651.78                         | 468.20            |             | 32                    |
| Family                     | 740.34                      | 825.68                       | 911.01                       | 996.35                       | 1,081.68                       | 801.52            |             | 43                    |
| Est. Monthly Total (\$mil) | \$0.5                       | \$0.6                        | \$0.6                        | \$0.7                        | \$0.7                          |                   |             | 1,571                 |
| Basic                      |                             |                              |                              |                              |                                | 2014 Bronze       |             |                       |
| Employee Only              | \$149.40                    | \$191.57                     | \$233.74                     | \$275.91                     | \$318.08                       | \$267.66          |             | 139                   |
| Employee & Spouse          | 271.56                      | 375.70                       | 479.84                       | 583.98                       | 688.12                         | 600.98            |             | 27                    |
| Employee & Child(ren)      | 240.04                      | 322.06                       | 404.08                       | 486.10                       | 568.12                         | 468.20            |             | 4                     |
| Family                     | 337.22                      | 487.46                       | 637.70                       | 787.94                       | 938.18                         | 801.52            |             | 5                     |
| Est. Monthly Total (\$mil) | \$0.0                       | \$0.0                        | \$0.0                        | \$0.1                        | \$0.1                          |                   |             | 175                   |
| Total (Monthly) (\$ mil)   | \$2.3                       | \$2.2                        | \$2.1                        | \$2.0                        | \$1.9                          |                   |             | 4,137                 |
| Est Annual Total (\$ mil)  | \$27.8                      | \$26.5                       | \$25.3                       | \$24.0                       | \$22.7                         |                   |             |                       |
| Medicare Eligible          |                             |                              |                              |                              |                                |                   |             |                       |
| Retiree Only               | \$113.94                    | \$113.94                     | \$113.94                     | \$113.94                     | \$113.94                       | \$81.68           |             | 9,090                 |
| Retiree & NME SP           | 820.43                      | 758.73                       | 697.03                       | 635.33                       | 573.63                         | 708.98            |             | 96                    |
| Retiree & Child(ren)       | 790.53                      | 731.85                       | 673.17                       | 614.49                       | 555.81                         | 665.66            |             | 17                    |
| Retiree & NME SP&CH        | 1,582.11                    | 1,439.40                     | 1,296.68                     | 1,153.96                     | 1,011.25                       | 1,310.62          |             | 1                     |
| Retiree & ME SP            | 288.13                      | 288.13                       | 288.13                       | 288.13                       | 288.13                         | 271.04            |             | 825                   |
| Retiree & ME SP & CH       | 937.13                      | 878.46                       | 819.78                       | 761.10                       | 702.42                         | 788.44            |             | -                     |
| Est. Monthly Total (\$mil) | \$1.4                       | \$1.4                        | \$1.4                        | \$1.3                        | \$1.3                          |                   |             | 10,030                |
| Total (Est. Annual)        | \$16.4                      | \$16.3                       | \$16.2                       | \$16.2                       | \$16.1                         |                   |             |                       |

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



Classic Values, Innovative Advice



# Appendix A – Current Benefit Summary

| Benefit Option Name:<br>Last Modified:<br>Provider Network: | Gold<br>1/1/2014<br>Health Advantage            | Silver<br>1/1/2014<br>QualChoice                | Bronze<br>1/1/2014<br>Health Advantage          |
|---|---|---|---|
| <b><u>In-Network (INN) Benefits</u></b>                     |   |   |   |
| Deductible (Individual / Family)                            | None / None                                     | \$1000 / \$2000                                 | \$2000 / \$3000                                 |
| Coinsurance   | 20%   | 20%   | 20%   |
| Copays  |   |   |   |
| Office Visit - Primary Care (PCP)                           | \$35  | \$35  | Ded. & Coins.                                   |
| OV - Specialist Care Provider (SCP)                         | \$70  | \$70  | Ded. & Coins.                                   |
| Urgent Care (UC)  | \$100   | \$150   | Ded. & Coins.                                   |
| Emergency Room (ER) Non-admitted                            | \$250   | \$300   | 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)                     | \$2500 / \$5000                                 | \$4000 / \$8000                                 | \$6350 / \$9525                                 |
| <b><u>Out-of-Network (OON) Benefits</u></b> <sup>1</sup>    |   |   |   |
| Deductible (Individual / Family)                            | \$1000 / \$2000                                 | \$2000 / \$4000                                 | \$4000 / \$8000                                 |
| Coinsurance   | 40%   | 40%   | 40%   |
| Out-of-Pocket Max (Individual / Family)                     | \$6000 / \$12000                                | \$8000 / \$16000                                | \$12700 / \$19000                               |
| <b>Annual Maximum INN / OON</b>                             | Unlimited                                       | Unlimited                                       | Unlimited                                       |
| <b><u>Prescription Drugs</u></b>                            |   |   |   |
| Separate Deductible then the following Copays:              |   |   |   |
| Retail (31 Days) - Generic/Formulary /Non-Form./ Specialty  | \$15 / \$40 / \$80 / \$100                      | \$15 / \$40 / \$80 / \$100                      | Ded. & Coins.                                   |
| Mail Order (93 Days) - Generic/Form. /Non-Form.             | \$45 / \$120/ \$240                             | \$45 / \$120 / \$240                            | Ded. & Coins.                                   |
| <b><u>Selected Detail Benefits</u></b>                      |   |   |   |
| Emergency Transportation - Ambulance                        | INN: \$50 Copay;<br>OON: Ded & Coins.           | INN: \$50 Copay;<br>OON: Ded & Coins.           |   |
| Psychiatry  | INN: \$25 Copay;<br>OON: Ded & Coins.           | INN: \$25 Copay;<br>OON: Ded & Coins.           | Ded. & Coins.                                   |
| Rehabilitation (i.e., speech, occup. physical):             | INN: \$35 Copay;<br>OON: Ded. & Coins.          | INN: \$35 Copay;<br>OON: Ded. & Coins.          | Ded. & Coins.                                   |
| Chiropractors:  | INN: \$35 ;<br>OON: Ded & Coins.                | INN: \$50;<br>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 |

<sup>1</sup>When an in-network provider is not available within 50 miles for a hospital and 25 miles for all other providers, then in-network benefits apply.



# Appendix B – Rating Worksheets

## (8,000 actives migrate)

### PSE ACTIVE & NME RATE DEVELOPMENT for CY2015

|  |                                   |                  |               |                              |                  |               |                            |                  |              |
|--|-----------------------------------|------------------|---------------|------------------------------|------------------|---------------|----------------------------|------------------|--------------|
| Plan:  | <b>Premium (from Gold/Silver)</b> |                  |               | <b>Classic (from Bronze)</b> |                  |               | <b>Basic (from Bronze)</b> |                  |              |
| Benefit:   | <b>Medical</b>                    | <b>Pharmacy</b>  | <b>Total</b>  | <b>Medical</b>               | <b>Pharmacy</b>  | <b>Total</b>  | <b>Medical</b>             | <b>Pharmacy</b>  | <b>Total</b> |
| Experience Period - Service (Incurred) Dates                           | 4/13 - 3/14                       | 4/13 - 3/14      |               | 4/13 - 3/14                  | 4/13 - 3/14      |               | 4/13 - 3/14                | 4/13 - 3/14      |              |
| Experience Period - Processed (Paid) Dates                             | 4/13 - 4/14                       | 4/13 - 4/14      |               | 4/13 - 4/14                  | 4/13 - 4/14      |               | 4/13 - 4/14                | 4/13 - 4/14      |              |
|  | <b>A</b>                          | <b>B</b>         | <b>C</b>      | <b>D</b>                     | <b>E</b>         | <b>F</b>      | <b>G</b>                   | <b>H</b>         | <b>I</b>     |
| 1 Total Incurred Medical & Rx Claims (Experience Period)               | \$139,796,219                     | \$48,388,928     | \$188,185,147 | \$55,314,558                 | \$10,667,044     | \$65,981,603  | \$55,314,558               | \$10,667,044     | \$65,981,603 |
| 2 Less High Cost Claims Above (Med/Rx)                                 | \$11,149,280                      | \$6,457,853      | \$17,607,134  | \$1,420,064                  | \$675,739        | \$2,095,804   | \$1,420,064                | \$675,739        | \$2,095,804  |
| 3 Net Incurred Claims below Pooling Point [1 - 2]                      | \$128,646,939                     | \$41,931,075     | \$170,578,014 | \$53,894,494                 | \$9,991,305      | \$63,885,799  | \$53,894,494               | \$9,991,305      | \$63,885,799 |
| 4 Person Months for Experience Period                                  | 424,456                           | 424,456          | 424,456       | 478,463                      | 478,463          | 478,463       | 478,463                    | 478,463          | 478,463      |
| 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]              | \$303.09                          | \$98.79          | \$401.88      | \$112.64                     | \$20.88          | \$133.52      | \$112.64                   | \$20.88          | \$133.52     |
| 6 Change in Benefits & Network/Contract During Experience Period       | 0.9903                            | 0.8632           |               | 0.9263                       | 0.8534           |               | 0.9263                     | 0.8534           |              |
| 7 Change in Demographics or Illness Burden During Experience Period    | 1.0602                            | 1.0608           |               | 1.0068                       | 1.0103           |               | 1.0068                     | 1.0103           |              |
| 8 Change in Geographic During Experience Period                        | 1.0043                            | 1.0000           |               | 1.0016                       | 1.0004           |               | 1.0016                     | 1.0004           |              |
| 9 a) Annual Trend Rate   | 6.0%                              | 6.0%             |               | 6.0%                         | 6.0%             |               | 6.0%                       | 6.0%             |              |
| b) Months to Trend   | 21                                | 21               |               | 21                           | 21               |               | 21                         | 21               |              |
| c) Trend Adjustment  | 1.1074                            | 1.1074           |               | 1.1074                       | 1.1074           |               | 1.1074                     | 1.1074           |              |
| 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]                   | \$353.87                          | \$100.18         | \$454.05      | \$116.51                     | \$19.94          | \$136.45      | \$116.51                   | \$19.94          | \$136.45     |
| 11 Charge for Claims above Pooling Point PPPM                          | \$26.51                           | \$14.10          | \$40.61       | \$8.89                       | \$2.78           | \$11.66       | \$8.89                     | \$2.78           | \$11.66      |
| 12 Total Claims Charged PPPM [10 + 11]                                 | \$380.39                          | \$114.27         | \$494.66      | \$125.39                     | \$22.72          | \$148.12      | \$125.39                   | \$22.72          | \$148.12     |
| 13 Change in Future Benefits & Networks/Contracts                      | 0.9469                            | 1.0488           |               | 0.8966                       | 0.8966           |               | 0.6890                     | 0.6890           |              |
| 14 Change in Future Demographics (Age/Gender/Family) or Illness Burden | 1.1745                            | 1.1899           |               | 1.2431                       | 1.2418           |               | 0.5396                     | 0.5234           |              |
| 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]                           | \$423.03                          | \$142.62         | \$565.64      | \$139.75                     | \$25.30          | \$165.05      | \$46.62                    | \$8.19           | \$54.82      |
| 17 ACA Transitional Reinsurance Fee & ARK PCMH PPPM                    |                                   |                  | \$6.67        |                              |                  | \$6.67        |                            |                  | \$6.67       |
| 18 Projected Persons Months  | 273,354                           | 273,354          | 273,354       | 524,682                      | 524,682          | 524,682       | 127,898                    | 127,898          | 127,898      |
| 19 Projected Total Incurred Claims & Fee [(16 + 17) x 18]              | \$115,636,853                     | \$38,984,571     | \$156,443,785 | \$73,325,750                 | \$13,272,201     | \$90,095,829  | \$5,963,080                | \$1,047,998      | \$7,863,728  |
| 20 PEPM Expenses and Other Costs                                       |                                   |                  | \$39.86       |                              |                  | \$38.05       |                            |                  | \$38.17      |
| 21 Retiree Subsidy / Holdback PEPM                                     |                                   |                  | \$11.20       |                              |                  | \$11.20       |                            |                  | \$11.20      |
| 22 Projected Expense Loaded Cost [19 + (20+21) x 23]                   |                                   |                  | \$167,496,018 |                              |                  | \$105,742,710 |                            |                  | \$11,655,084 |
| 23 Conversion to Rating Tiers [19 x rating tier x counts]              | <b>x tier</b>                     | <b>Projected</b> |               | <b>x tier</b>                | <b>Projected</b> |               | <b>x tier</b>              | <b>Projected</b> |              |
| Method: <input type="text" value="Person"/>                            | <b>factor</b>                     | <b>Ee Months</b> | <b>PEPM</b>   | <b>factor</b>                | <b>Ee Months</b> | <b>PEPM</b>   | <b>factor</b>              | <b>Ee Months</b> | <b>PEPM</b>  |
| a) Employee Only   | 1.08                              | 187,060          | \$666.68      | 1.13                         | 219,796          | \$243.19      | 1.13                       | 52,859           | \$119.11     |
| b) Employee & Spouse   | 2.56                              | 5,482            | \$1,516.47    | 2.69                         | 18,219           | \$510.91      | 2.70                       | 4,150            | \$215.39     |
| c) Employee & Child(ren)   | 2.08                              | 17,949           | \$1,240.88    | 2.18                         | 45,301           | \$424.09      | 2.19                       | 11,272           | \$184.17     |
| d) Family  | 3.56                              | 5,774            | \$2,090.67    | 3.74                         | 34,359           | \$691.80      | 3.76                       | 8,518            | \$280.45     |
| e) Child(ren) of Medicare Retirees                                     | 1.00                              | 208              | \$625.26      |                              |                  |               |                            |                  |              |
| 24 Rates Balance Confirmation  |                                   | 216,473          | \$167,496,018 |                              | 317,675          | \$105,742,710 |                            | 76,800           | \$11,655,084 |

Rates shown are prior to risk adjustment and do not include HSA contributions or HSA vendor expenses.



# Appendix B – Rating Worksheets

## (8,000 actives migrate)

### PSE MEDICARE RETIREE RATE DEVELOPMENT for CY2015

Plan:

Benefit:

Experience Period - Service (Incurred) Dates

Experience Period - Processed (Paid) Dates

1 Total Incurred Medical & Rx Claims

2 Less High Cost Claims Above (Med/Rx)

**\$125,000**

**\$25,000**

3 **Net Incurred Claims below Pooling Point [1 - 2]**

4 Person Months for Experience Period

5 **Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]**

6 Change in Benefits & Network/Contract During Experience Period

7 Change in Demographics or Risk During Experience Period

8 Change in Geographic During Experience Period

9 a) Annual Trend Rate

b) Months to Trend

c) Trend Adjustment

10 **Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]**

11 Charge for Claims above Pooling Point PPPM

12 **Total Claims Charged PPPM [10 + 11]**

13 Change in Future Benefits & Networks/Contracts

14 Change in Future Demographics (Age/Gender/Family) or Illness Burden

15 Change in Future Geographic

16 **Projected Incurred Claim PPPM [13 x 14 x 15]**

17 Projected Person Months

18 Allocated Expenses

19 Projected ME Retiree Months

20 **Projected Total Incurred Claims & Exp [16 x 17 + 18 x 19]**

| Medicare            |                     |
|---------------------|---------------------|
| Medical             | Total               |
| 4/13 - 3/14         |                     |
| 4/13 - 4/14         |                     |
| \$14,297,045        | \$14,297,045        |
| \$95,364            | \$95,364            |
| <b>\$14,201,681</b> | <b>\$14,201,681</b> |
| 106,868             | 106,868             |
| <b>\$132.89</b>     | <b>\$132.89</b>     |
| 1.0000              |                     |
| 1.0038              |                     |
| 1.0000              |                     |
| 5.0%                |                     |
| 21                  |                     |
| 1.0891              |                     |
| <b>\$145.28</b>     | <b>\$145.28</b>     |
| \$4.03              | \$4.03              |
| <b>\$149.31</b>     | <b>\$149.31</b>     |
| 1.0000              |                     |
| 0.9819              |                     |
| 1.0000              |                     |
| <b>\$146.60</b>     | <b>\$146.60</b>     |
| 132,129             | 132,129             |
| \$22.50             | \$22.50             |
| 120,355             | 120,355             |
| <b>\$22,078,412</b> | <b>\$22,078,412</b> |



# Appendix B – Rating Worksheets

## (8,000 actives migrate)

### PSE PREMIUM RETIREE RATE DEVELOPMENT for CY2015

#### 21 Conversion to Rating Tiers from PPM [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)

#### 22 Rates Balance Confirmation

| <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>         |
| 1.08               | \$666.68            | -                  | \$0.00              | 23,311            | \$666.68            |
| 2.56               | \$1,516.47          | -                  | \$0.00              | 1,694             | \$1,516.47          |
| 2.08               | \$1,240.88          | -                  | \$0.00              | 242               | \$1,240.88          |
| 3.56               | \$2,090.67          | -                  | \$0.00              | 180               | \$2,090.67          |
| 1.08               | \$666.68            | 1.00               | \$146.60            | 1,871             | \$813.28            |
| 2.08               | \$1,240.88          | 1.00               | \$146.60            | -                 | \$1,387.48          |
|                    | \$0.00              | 1.00               | \$169.10            | 109,076           | \$169.10            |
| 1.08               | \$655.48            | 1.00               | \$169.10            | 1,154             | \$824.58            |
| 1.00               | \$614.06            | 1.00               | \$169.10            | 208               | \$783.16            |
| 2.49               | \$1,423.99          | 1.00               | \$169.10            | 14                | \$1,593.10          |
|                    | \$0.00              | 2.00               | \$315.71            | 9,903             | \$315.71            |
| 1.00               | \$614.06            | 2.00               | \$315.71            | -                 | \$929.76            |
|                    | <u>\$20,938,416</u> |                    | <u>\$22,078,412</u> |                   | <u>\$43,016,827</u> |





# Appendix B – Rating Worksheets

## ASE ACTIVE & NME RATE DEVELOPMENT for CY2015

|  |                                  |
|--|----------------------------------|
| Plan:  |                                  |
| Benefit:   |                                  |
| Experience Period - Service (Incurred) Dates                           |                                  |
| Experience Period - Processed (Paid) Dates                             |                                  |
| 1 Total Incurred Medical & Rx Claims (Experience Period)               |                                  |
| 2 Less High Cost Claims Above (Med/Rx)                                 | <b>\$125,000</b> <b>\$25,000</b> |
| 3 Net Incurred Claims below Pooling Point [1 - 2]                      |                                  |
| 4 Person Months for Experience Period                                  |                                  |
| 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]              |                                  |
| 6 Change in Benefits & Network/Contract During Experience Period       |                                  |
| 7 Change in Demographics or Illness Burden During Experience Period    |                                  |
| 8 Change in Geographic During Experience Period                        |                                  |
| 9 a) Annual Trend Rate   |                                  |
| b) Months to Trend   |                                  |
| c) Trend Adjustment  |                                  |
| 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]                   |                                  |
| 11 Charge for Claims above Pooling Point PPPM                          |                                  |
| 12 Total Claims Charged PPPM [10 + 11]                                 |                                  |
| 13 Change in Future Benefits & Networks/Contracts                      |                                  |
| 14 Change in Future Demographics (Age/Gender/Family) or Illness Burden |                                  |
| 15 Change in Future Geographic   |                                  |
| 16 Rating Incurred Claim PPPM [13 x 14 x 15]                           |                                  |
| 17 ACA Transitional Reinsurance Fee & ARK PCMH PPPM                    |                                  |
| 18 Projected Persons Months  |                                  |
| 19 Projected Total Incurred Claims & Fee [(16 + 17) x 18]              |                                  |
| 20 PEPM Expenses and Other Costs                                       |                                  |
| 21 Projected Expense Loaded Cost [19 + (20+21) x 23]                   |                                  |
| 22 Conversion to Rating Tiers [19 x rating tier x counts]              |                                  |
| Method: <b>Person</b>  |                                  |
| a) Employee Only   |                                  |
| b) Employee & Spouse   |                                  |
| c) Employee & Child(ren)   |                                  |
| d) Family  |                                  |
| e) Child(ren) of Medicare Retirees                                     |                                  |
| 23 Rates Balance Confirmation  |                                  |

| Premium (from Gold/Silver) |              |               | Classic (from Bronze) |             |             | Basic (from Bronze) |             |             |
|----------------------------|--------------|---------------|-----------------------|-------------|-------------|---------------------|-------------|-------------|
| Medical                    | Pharmacy     | Total         | Medical               | Pharmacy    | Total       | Medical             | Pharmacy    | Total       |
| 4/13 - 3/14                | 4/13 - 3/14  |               | 4/13 - 3/14           | 4/13 - 3/14 |             | 4/13 - 3/14         | 4/13 - 3/14 |             |
| 4/13 - 4/14                | 4/13 - 4/14  |               | 4/13 - 4/14           | 4/13 - 4/14 |             | 4/13 - 4/14         | 4/13 - 4/14 |             |
| A                          | B            | C             | D                     | E           | F           | G                   | H           | I           |
| \$163,531,148              | \$50,765,092 | \$214,296,240 | \$4,224,267           | \$529,194   | \$4,753,460 | \$4,224,267         | \$529,194   | \$4,753,460 |
| \$11,567,451               | \$4,502,192  | \$16,069,644  | \$52,314              | \$16,250    | \$68,565    | \$52,314            | \$16,250    | \$68,565    |
| \$151,963,696              | \$46,262,900 | \$198,226,596 | \$4,171,952           | \$512,943   | \$4,684,896 | \$4,171,952         | \$512,943   | \$4,684,896 |
| 615,788                    | 615,788      | 615,788       | 49,208                | 49,208      | 49,208      | 49,208              | 49,208      | 49,208      |
| \$246.78                   | \$75.13      | \$321.91      | \$84.78               | \$10.42     | \$95.20     | \$84.78             | \$10.42     | \$95.20     |
| 0.9878                     | 0.8646       |               | 0.9563                | 0.8376      |             | 0.9563              | 0.8376      |             |
| 0.9823                     | 0.9772       |               | 0.9946                | 0.9922      |             | 0.9946              | 0.9922      |             |
| 0.9997                     | 1.0000       |               | 0.9945                | 0.9993      |             | 0.9945              | 0.9993      |             |
| 6.0%                       | 6.0%         |               | 6.0%                  | 6.0%        |             | 6.0%                | 6.0%        |             |
| 21                         | 21           |               | 21                    | 21          |             | 21                  | 21          |             |
| 1.1074                     | 1.1074       |               | 1.1074                | 1.1074      |             | 1.1074              | 1.1074      |             |
| \$265.08                   | \$70.29      | \$335.38      | \$88.80               | \$9.58      | \$98.38     | \$88.80             | \$9.58      | \$98.38     |
| \$19.53                    | \$7.88       | \$27.41       | \$6.09                | \$0.96      | \$7.06      | \$6.09              | \$0.96      | \$7.06      |
| \$284.61                   | \$78.17      | \$362.78      | \$94.89               | \$10.54     | \$105.43    | \$94.89             | \$10.54     | \$105.43    |
| 0.9427                     | 1.0535       |               | 0.8954                | 0.8954      |             | 0.7354              | 0.7354      |             |
| 1.0028                     | 1.0011       |               | 1.1362                | 1.1607      |             | 0.5036              | 0.4995      |             |
| 1.0000                     | 1.0000       |               | 1.0000                | 1.0000      |             | 1.0000              | 1.0000      |             |
| \$269.05                   | \$82.44      | \$351.49      | \$96.53               | \$10.96     | \$107.49    | \$35.15             | \$3.87      | \$39.02     |
|                            |              | \$6.67        |                       |             | \$6.67      |                     |             | \$6.67      |
| 621,701                    | 621,701      | 621,701       | 44,051                | 44,051      | 44,051      | 10,827              | 10,827      | 10,827      |
| \$167,265,900              | \$51,253,959 | \$222,664,530 | \$4,252,339           | \$482,645   | \$5,028,660 | \$380,514           | \$41,936    | \$494,627   |
|                            |              | \$40.20       |                       |             | \$38.42     |                     |             | \$38.48     |
|                            |              | \$236,767,766 |                       |             | \$5,898,437 |                     |             | \$708,573   |
| x tier                     | Projected    |               | x tier                | Projected   |             | x tier              | Projected   |             |
| factor                     | Ee Months    | PEPM          | factor                | Ee Months   | PEPM        | factor              | Ee Months   | PEPM        |
| 1.14                       | 202,240      | \$447.72      | 1.13                  | 11,744      | \$167.55    | 1.13                | 2,891       | \$90.28     |
| 2.70                       | 45,131       | \$1,008.45    | 2.69                  | 3,577       | \$345.23    | 2.69                | 865         | \$161.56    |
| 1.99                       | 61,408       | \$752.55      | 1.98                  | 3,028       | \$264.14    | 1.98                | 751         | \$129.03    |
| 3.55                       | 41,300       | \$1,313.28    | 3.53                  | 4,292       | \$441.82    | 3.54                | 1,053       | \$200.30    |
| 0.85                       | 744          | \$345.03      |                       |             |             |                     |             |             |
|                            | 350,824      | \$236,767,766 |                       | 22,641      | \$5,898,437 |                     | 5,560       | \$708,573   |

Rates shown are prior to risk adjustment and do not include HSA contributions or HSA vendor expenses.





# Appendix B – Rating Worksheets

## ASE MEDICARE RETIREE RATE DEVELOPMENT for CY2015

|  |           |          |  |
|--|-----------|----------|--|
| Plan:  |           |          |  |
| Benefit:   |           |          |  |
| Experience Period - Service (Incurred) Dates                 |           |          |  |
| Experience Period - Processed (Paid) Dates                   |           |          |  |
| 1 Total Incurred Medical & Rx Claims *                       |           |          |  |
| 2 Less High Cost Claims Above (Med/Rx)                       | \$125,000 | \$25,000 |  |
| 3 Net Incurred Claims below Pooling Point [1 - 2]            |           |          |  |
| 4 Person Months for Experience Period                        |           |          |  |
| 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]    |           |          |  |
| 6 Change in Benefits/Network During Experience Period        |           |          |  |
| 7 Change in Demographics or Risk During Experience Period    |           |          |  |
| 8 Change in Geographic During Experience Period              |           |          |  |
| 9 a) Annual Trend Rate                                       |           |          |  |
| b) Months to Trend   |           |          |  |
| c) Trend Adjustment  |           |          |  |
| 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]         |           |          |  |
| 11 Charge for Claims above Pooling Point PPPM                |           |          |  |
| 12 Total Claims Charged PPPM [10 + 11]                       |           |          |  |
| 13 Change in Future Benefits (Level/Mgt/Discounts)           |           |          |  |
| 14 Change in Future Demographics (Age/Gender/Family) or Risk |           |          |  |
| 15 Change in Future Geographic                               |           |          |  |
| 16 Projected Incurred Claim PPPM [13 x 14 x 15]              |           |          |  |
| 17 Projected Person Months                                   |           |          |  |
| 18 Allocated Expenses  |           |          |  |
| 19 Projected ME Retiree Months                               |           |          |  |
| 20 Projected Total Incurred Claims & Exp [16 x 17 + 18 x 19] |           |          |  |

|             | Medical      | Medicare Pharmacy | Total        |
|-------------|--------------|-------------------|--------------|
| 4/13 - 3/14 | 4/13 - 3/14  |                   |              |
| 4/13 - 4/14 | 4/13 - 4/14  |                   |              |
|             | \$17,795,528 | \$20,746,773      | \$38,542,301 |
|             | \$260,444    | \$2,626,086       | \$2,886,530  |
|             | \$17,535,084 | \$18,120,687      | \$35,655,771 |
|             | 119,851      | 119,851           | 119,851      |
|             | \$146.31     | \$151.19          | \$297.50     |
|             | 1.0000       | 0.8653            |              |
|             | 1.0015       | 1.0015            |              |
|             | 1.0000       | 1.0000            |              |
|             | 5.0%         | 6.0%              |              |
|             | 21           | 21                |              |
|             | 1.0891       | 1.1074            |              |
|             | \$159.59     | \$145.09          | \$304.68     |
|             | \$2.17       | \$21.91           | \$24.08      |
|             | \$161.76     | \$167.00          | \$328.76     |
|             | 1.0000       | 1.0536            |              |
|             | 0.9975       | 1.0005            |              |
|             | 1.0000       | 1.0000            |              |
|             | \$161.37     | \$176.04          | \$337.40     |
|             | 131,225      | 131,225           | 131,225      |
|             | \$22.50      |                   | \$22.50      |
|             | 101,800      |                   | 101,800      |
|             | \$23,465,673 | \$23,100,614      | \$46,566,287 |

\* Pharmacy Cost for Medicare has subtracted the RDS Subsidy.



# Appendix B – Rating Worksheets

## ASE PREMIUM RETIREE RATE DEVELOPMENT for CY2015

### 21 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)

### 22 Rates Balance Confirmation

| <u>x Non-Med.</u>  | <u>Non-Med.</u>     | <u>x Medicare</u>  | <u>Medicare</u>     | <u>Projected</u> | <u>TOTAL</u>        |
|--------------------|---------------------|--------------------|---------------------|------------------|---------------------|
| <u>tier factor</u> | <u>PEPM</u>         | <u>tier factor</u> | <u>PEPM</u>         | <u>Ee Months</u> | <u>PEPM</u>         |
| 1.14               | \$447.72            | -                  | \$0.00              | 22,582           | \$447.72            |
| 2.70               | \$1,008.45          | -                  | \$0.00              | 7,168            | \$1,008.45          |
| 1.99               | \$752.55            | -                  | \$0.00              | 1,214            | \$752.55            |
| 3.55               | \$1,313.28          | -                  | \$0.00              | 450              | \$1,313.28          |
| 1.14               | \$447.72            | 1.00               | \$337.40            | 3,013            | \$785.12            |
| 1.99               | \$752.55            | 1.00               | \$337.40            | 110              | \$1,089.95          |
| -                  | \$0.00              | 1.00               | \$359.90            | 69,560           | \$359.90            |
| 1.14               | \$447.72            | 1.00               | \$359.90            | 4,784            | \$807.62            |
| 0.85               | \$345.03            | 1.00               | \$359.90            | 744              | \$704.93            |
| 2.42               | \$865.56            | 1.00               | \$359.90            | 411              | \$1,225.46          |
| -                  | \$0.00              | 2.00               | \$697.31            | 26,045           | \$697.31            |
| 0.85               | \$345.03            | 2.00               | \$697.31            | 257              | \$1,042.34          |
|                    | <u>\$23,117,207</u> |                    | <u>\$46,566,287</u> |                  | <u>\$69,683,494</u> |



# Appendix C – Assumptions & Disclosures

- Plan Election:
  - For ASE and PSE overall Non-Medicare Eligible plan election will be similar to 2014.
  - Increases in Medicare eligible retirees (to 8,500 for ASE and 10,000 for PSE, approximately).
  - Silver and Gold are assumed to move to the Premium plan.
  - 20% of Bronze Active participants are assumed to elect the Basic plan and 80% the Classic plan. 10% of Bronze Retiree participants are assumed to elect the Basic plan and 90% the Classic plan.
  - For selected PSE Scenarios, 8,000 participants migrate from Premium to Classic/Basic
- Experience period: April 2013 through March 2014. Claims are paid through April 2014, adjusted for savings generated by reference pricing changes implemented on or before January 1, 2014.
- Trend assumption: 6% annually for medical (Non-Medicare) and Rx, 5% for medical Medicare.
- Additional details about the assumptions and methods will be provided in follow-up documentation.
- In preparing the information in this presentation, we relied without audit, on information (some oral and some written) supplied by the EBD and the Plan's vendors. This information includes, but is not limited to, the plan provisions, employee eligibility data, financial information and claims data. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.
- Cheiron's analysis was prepared exclusively for the Employee Benefits Division of the State of Arkansas for the specific purpose of providing projections and options to the Arkansas State and Public School Life and Health Insurance Board and/or Benefits Committee. 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.