



AGENDA

State and Public School Life and Health Insurance Board

July 29, 2014

1:00 p.m.

EBD Board Room – 501 Building, Suite 500

- I. Call to OrderDr. John Kirtley, Chairman***
- II. Approval of June 17, 2014 MinutesDr. John Kirtley, Chairman***
- III. ASE-PSE Financials June, 2014 Marla Wallace, EBD Chief Fiscal Officer***
- IV. Benefits Sub-Committee Report .Shelby McCook, Benefits Comm. Vice-Chairman***
- V. 2015 Rates John Colberg, Cheiron***
- VI. Director's ReportBob Alexander, EBD Executive Director***

Upcoming Meetings

August 19th

October 21st

November 18th

NOTE: All material for this meeting will be available by electronic means only asepse-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 July 29, 2014

The 139th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on July 29, 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

MEMBERS ABSENT

Katrina Burnett
Carla Wooley-Haugen Vice-Chairman
Dr. Joseph Thompson

Bob Alexander, Executive Director, Employee Benefits Division

OTHERS PRESENT:

Dwight Davis, David Keisner, Jill Johnson, UAMS; Michele Hazelett, Janna Keathley, Kristi Jackson, Stella Greene, Ethel Whittaker, Marla Wallace, Lori Eden, Sherry Bryant, 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; David Goins, Fox 16/KARK; Takisha Sanders, Kanita Collins, Martha Carlson, Jim Bailey, Health Advantage; Ro Summers, ACHI; Andra Kaufman, B.J. Himes, QualChoice; Susan Walker, Datapath; Danny James, ASEA; Warren Tayes, Merck; Jennifer Smith, ASU; Brian Strickland, Gilead; Matt Devers, ASBP; Harmony Daniels, Jackie Beau, ASP; John Colberg, Cheiron; Steve Althoff, MTI; Martha Hill; Sarah Bujak, Catamaran; Jeff Altemus, Marion School District; Norma Walker, Watson School District; Paula Glover, ACS; Kelly Davis, Fort Smith Schools; Doug Brown, APSRC; Wanda Henry, AGFC; Charles Warren, FSPS; Gary Kees, AREJC;

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 June 17, 2014 minutes.

Harrison made the motion to approve the minutes, Mallory seconded; all were in favor.

Minutes approved

FINANCIALS: *by Marla Wallace, CFO EBD*

Wallace reported for June 2014 for PSE & ASE. For PSE, there were five (5) weeks of claims with no Department of Education funding. The fifth week of claims was \$5.3 million. The \$63.00 per member per year Transitional Reinsurance fee liability is \$2.3 million for the first half of the year, January through June. There was a net loss of \$5.9 million for the month and a gain of \$17 million year-to-date.

ASE also had five (5) weeks of claims. The annual FICA savings was \$4.6 million. The \$63.00 per member per year Transitional Reinsurance fee liability is \$1.68 million for the first half of the year, January through June. The 5th week of claims was \$4.4 million. There was a net gain of \$3 million for the month and the year-to-date gain is \$12.8 million. The net assets available are \$15 million.

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

By: Shelby McCook, Benefits Committee Chairman

The following report resulted from a meeting of the Benefits Sub-Committee from July 28, 2014 with Gwen Wiggins presiding.

Topics Discussed:

1. 2015 Projections & PSE Rates

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 PSE Rates

There were several alternatives for recommendation. After discussion, the Committee voted on the following:

- (1) Honey motioned to approve alternative 3 for The Premium Plan. Harrison seconded and requested to see individual votes. All members voted yes. **Motion Approved.**
- (2) Altemus motioned to approve alternative 1 for The Classic Plan, and alternative 3 for The Basic Plan with a HSA. McCook seconded. All were in favor. **Motion Approved.**
- (3) Altemus motioned to approve the unadjusted rates for 2015. McCook seconded. All were in favor. **Motion Approved.**

Exclusions: McCook motioned to exclude International Air Ambulance. Altemus seconded. All were in favor. **Motion Approved**

McCook motioned to exclude International Air Ambulance effective January 1, 2015. Dr. Thurman seconded. All were in favor.

Motion Approved.

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

The following are the recommendations for the 2015 Plans:

	2014 Gold	Recommended PSE Premium	ASE Premium	2014 Silver
Yellow highlight means the coverage is changed Actuarial Value (per MV Calculator)	83.7%	81.9%	83.3%	78.5%
In-Network:				
Deductible - Individual	\$0.00	\$1000	\$500	\$1000
Co-Insurance Limit- Indv (after deductible)	\$2500	\$2500	\$2500	\$3000
Med. Out-of-pocket max – (Ded + Co-Ins + Med. Co-Pay)	\$2500	\$3500	\$3000	\$4000
Deductible - Family	\$0.00	\$2000	\$1000	\$2000
Co-Insurance Limit-	\$5000	\$5000	\$5000	\$6000

Family (after deductible)				
Med. Out-of-pocket Max (Ded. +Co-Ins. + Med. Co-Pay)	\$5000	\$7000	\$6000	\$8000
Coinsurance Rate	80%/20%	80%/20%	80%/20%	80%/20%
Physician Office Visit – Prim Care–Co-pay	\$35	\$25	\$25	\$35
Physician Office Visit – Specialist –Co-Pay	\$70	\$50	\$50	\$70
Rx-Deductible	None	None	None	None
Rx- Tier 1 – Generic	\$15	\$15	\$15	\$15
RX- Tier 2 – Preferred Brand	\$40	\$40	\$40	\$40
Rx- Tier 3 Non-Preferred Brand	\$80	\$80	\$80	\$80
RX- Specialty	\$100	\$100	\$100	\$100
RX-Out of Pocket Max Ind/Fam	n/a	\$3100/\$6200	\$3600/\$7200	n/a
Hospital/Facility-Inpatient & SNF – Co-PayPer Admin *	\$250	\$0.00	\$0.00	\$300
Hospital/Facility-Outpatient-Co-Pay *	\$100	\$0.00	\$0.00	\$150
Urgent Care Visit	\$100	\$100	\$100	\$100
Emergency Room Visit	\$250	\$250	\$250	\$250
Emergency Transportation-Ambulance	\$50	\$50	\$50	\$50
High Tech Radiology – Co-Pay (1st Procedure Only) *	\$250	\$0.00	\$0.00	\$300
Rehab/Therapy-Outpatient-Physical/Speech/Occup	\$35	\$25	\$25	\$35
Rehab/Therapy-Outpatient-Co-Pay	\$35	\$25	\$25	\$35
Out-of-Network:				
Deductible – Individual/Family	\$1000/\$2000	\$2000/\$4000	\$2000/\$4000	\$1500/\$3000
Co-Insurance	60%/40%	60%/40%	60%/40%	60%/40%
Co-Insurance Limit-Individual/Family (after Deductible)	\$5000/\$10000	None	None	\$5000/\$10000
Max. Out-of-Pocket (Deductible + Co-Insurance)	\$6000/12000	None	None	\$6500/\$13000
* Deductible & Co-Insurance also applies				

The following are the recommendations for the 2015 Plans:

Yellow highlight means the coverage is changed						
Actuarial Value (per MV Calculator)	Current Bronze 71.3 %	Recommend PSE Classic 71.3%	ASE Classic 70.0%	Recommend PSE Basic 60.5%	Alternative PSE Basic 60.4%	ASE Basic 60.6%
Monthly Plan HSA	\$0.00	\$0.00	\$25/\$50	\$0.00	\$0.00	\$25/\$50
In-Network:						
Deductible - Individual	\$2000	\$2000	\$2500	\$4000	\$4250	\$6450
Co-Insurance Limit- Indv (after deductible)	\$4350	\$4450	\$3950	\$2450	\$2200	n/a
Med. Out-of-pocket max – (Ded + Co-Ins + Med. Co-Pay)	\$6350	\$6450	\$6450	\$6450	\$6450	\$6450
Deductible - Family	\$3000	\$3000	\$5000	\$8000	\$8500	\$12900
Co-Insurance Limit- Family (after deductible)	\$6525	\$6675	\$7900	\$4900	\$4400	n/a
Med. Out-of-pocket Max (Ded. +Co-Ins. + Med. Co-Pay)	\$9525	\$9675	\$12900	\$12900	\$12900	\$12900
Coinsurance Rate	80%/20%	80%/20%	80%/20%	70%/30%	80%/20%	100%/0%
Physician Office Visit – Prim Care– Co-pay						
Physician Office Visit – Specialist – Co-Pay						
Rx-Deductible	Incl. w/Med.	Incl. w/Med.	Incl. w/Med.	Incl. w/Med.	Incl. w/Med.	Incl. w/Med.
Rx- Tier 1 – Generic						
RX- Tier 2 – Preferred Brand						
Rx- Tier 3 Non-Preferred Brand				Not Covered	Not covered	Not covered
RX- Specialty						
RX-Out of Pocket Max Ind/Fam						
Hospital/Facility- Inpatient & SNF – Co-PayPer Admin *						
Hospital/Facility- Outpatient-Co-Pay						

*						
Urgent Care Visit						
Emergency Room Visit						
Emergency Transportation-Ambulance						
High Tech Radiology – Co-Pay (1st Procedure Only) *						
Rehab/Therapy-Outpatient-Physical/Speech/Occup						
Rehab/Therapy-Outpatient-Co-Pay						
Out-of-Network:						
Deductible – Individual/Family	\$3000/\$6000	\$3000/\$6000	\$4000/\$8000	Not Covered	Not covered	Not covered
Co-Insurance	60%/40%	60%/40%	60%/40%	Not Covered	Not covered	Not covered
Co-Insurance Limit-Individual/Family (after Deductible)	\$5000/\$10000	None	None	None	Not covered	Not covered
Max. Out-of-Pocket (Deductible + Co-Insurance)	\$8000/\$16000	None	None	None	Not covered	Not covered
* Deductible & Co-Insurance also applies						

McCook motioned to adopt the recommended Premium Benefits Design for the PSE Plan as shown on page 3. Honey seconded. All were in favor.

Motion Approved.

McCook motioned to adopt the recommendations of the Benefits Sub-committee column two (2) for the Classic Plan and column five (5) for the Basic Plan. Harrison seconded. All were in favor.

Motion Approved.

Harrison motioned to adopt all changes for ASE to be in compliance with the ACA. McCook seconded. All were in favor.

Motion Approved.

McCook motioned to adopt the unadjusted rates for the PSE Plan. Harrison seconded. All were in favor. Kirtley called for discussion.

After discussion, Dr. Kirtley motioned to adopt the rates on page 7 that has no adjustment for risk but for 8000 migration. Harrison requested individual votes. All voted yes except Bob Boyd.

Motion Approved.

Honey motioned to add a \$5.00 surcharge per adult per month and apply it to the catastrophic fund. It would save as much as \$3.1 million. The catastrophic fund balance projection should be \$11.1 million. The surcharge would apply to all members except Medicare Eligible. Boyd seconded. Only three (3) members voted yes. Remaining members (5) voted no.

Motion Failed.

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

There was no discussion.

Meeting Adjourn

Public School Employees (PSE) Financials - January 1, 2014 through June 30, 2014								
	GOLD		SILVER		BRONZE		GRAND TOTALS	
	Employee Only	Plus Dependents						
Actives	18322	22263	5015	7852	23153	42004	46490	72119
Retirees	1735	2026	94	97	1164	1448	2993	3571
Medicare	9025	9885					9025	9885
TOTAL	29082	34174	5109	7949	24317	43452	58508	85575

REVENUES & EXPENDITURES

	Current Month	Year to Date (6 months)
Funding		
Per Participating Employee Funding (PPE Funding)	\$ 8,455,578	\$ 50,877,463
Employee Contribution	\$ 9,961,734	\$ 60,675,382
Department of Education \$35,000,000 & \$15,000,000	\$ -	\$ 23,409,091
Other	\$ 535,792	\$ 1,183,659
Allocation for Actives - Plan Year 2014	\$ 3,583,333	\$ 21,500,000
Total Funding	\$ 22,536,437	\$ 157,645,595
Expenses		
Medical Expenses		
Claims Expense	\$ 18,972,438	\$ 100,114,368
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,662,200	\$ 9,791,092
Refunds	\$ (116,153)	\$ (20,350)
Employee Assistance Program (EAP)	\$ 80,447	\$ 484,651
Pharmacy Expenses		
RX Claims	\$ 4,704,021	\$ 24,122,046
RX IBNR	\$ -	\$ (400,000)
RX Administration	\$ 340,931	\$ 2,005,904
Plan Administration	\$ 2,804,314	\$ 4,443,676
Total Expenses	\$ 28,448,197	\$ 140,541,386
Net Income/(Loss)	\$ (5,911,760)	\$ 17,104,208

BALANCE SHEET

Assets	
Bank Account	\$ 22,416,796
State Treasury	\$ 49,150,462
Receivable from Provider	\$ -
Accounts Receivable	\$ 1,470,635
Due from ASE	\$ 178,839
Total Assets	\$ 73,216,732
Liabilities	
Accounts Payable	\$ 5,361,778
Due to ASE	\$ -
Deferred Revenues	\$ -
Due to Federal Government (\$63 fee)	\$ 2,318,242
Health IBNR	\$ 28,000,000
RX IBNR	\$ 1,400,000
Total Liabilities	\$ 37,080,020
Net Assets	\$ 36,136,712
Less Reserves Allocated:	
Premiums for Plan Year 1/1/14 - 12/31/14 (\$43,000,000)	\$ (21,500,001)
Catastrophic Reserve (2014 - \$11,100,000)	\$ (11,100,000)
Net Assets Available	\$ 3,536,711

Fifth Week of claims totaled: \$5,238,297.61

Public School Employees (PSE) Financials - January 1, 2013 through June 30, 2013				
	Gold	Silver	Bronze	Total
Actives	36,379	7,489	25,804	69,672
Retirees	2,617	57	1,152	3,826
Medicare	8,774			8,774
Total	47,770	7,546	26,956	82,272
Revenues & Expenditures				
			Current Month	Year to Date (6 months)
Funding				
District Contribution			\$ 8,124,748	\$ 48,963,784
Employee Contribution			\$ 10,913,164	\$ 66,091,255
Dept of Ed \$35,000,000 & \$15,000,000			\$ -	\$ 23,409,091
Other			\$ 556,140	\$ 1,119,621
Allocation for Active/Retiree Premiums for Plan Year 2013			\$ 750,000	\$ 4,500,000
Total Funding			\$ 20,344,051	\$ 144,083,751
Expenses				
Medical Expenses:				
Claims Expense			\$ 19,438,955	\$ 111,231,091
Claims IBNR			\$ 3,300,000	\$ 3,300,000
Medical Admin Fees			\$ 1,664,526	\$ 9,603,214
Refunds			\$ (152,175)	\$ (62,424)
Employee Assistance Program (EAP)			\$ 81,291	\$ 490,699
Pharmacy Expenses:				
RX Claims			\$ 6,082,724	\$ 34,109,641
RX IBNR			\$ (800,000)	\$ (800,000)
RX Admin			\$ 606,634	\$ 2,028,164
Plan Administration			\$ 448,775	\$ 2,363,928
Total Expenses			\$ 30,670,730	\$ 162,264,314
Net Income/(Loss)			\$ (10,326,678)	\$ (18,180,563)
Balance Sheet				
Assets				
Bank Account			\$	14,423,201
State Treasury			\$	17,078,082
Receivable from Provider			\$	758,297
Accounts Receivable			\$	2,164,028
Due from ASE			\$	2,159
Total Assets			\$	34,425,767
Liabilities				
Accounts Payable			\$	5,947,196
Due to ASE			\$	8,703
Deferred Revenues			\$	2,014,821
Health IBNR			\$	28,000,000
RX IBNR			\$	1,800,000
Total Liabilities			\$	37,770,720
Net Assets			\$	(3,344,953)
Less Reserves Allocated:				
Active/Retiree Premiums for Plan Year 01/01/13 - 12/31/13		(\$9,000,000)	\$	(4,500,000)
Active/Retiree Premiums for Plan Year 01/01/14 - 12/31/14		(\$3,600,000)	\$	-
Catastrophic Reserve (2013 - \$11,100,000)			\$	-
Net Assets Available			\$	(7,844,953)

Fifth week of claims totaled: \$5,905,187.10 IBNR Increased \$2,500,000

Arkansas State Employees (ASE) Financials - January 1, 2014 through June 30, 2014								
	GOLD		SILVER		BRONZE		GRAND TOTALS	
	Employee Only	Plus Dependents						
Actives	24020	44119	1573	2919	2353	4549	27946	51587
Retirees	2444	3398	22	34	58	103	2524	3535
Medicare	8232	10896					8232	10896
TOTAL	34696	58413	1595	2953	2411	4652	38702	66018

REVENUES & EXPENDITURES

	Current Month	Year to Date (6 months)
Funding		
State Contribution	\$ 14,314,484	\$ 85,904,238
Employee Contribution	\$ 7,582,820	\$ 45,721,411
Other	\$ 5,822,383	\$ 8,765,969
Allocation for Actives - Plan Year 2014	\$ 2,154,167	\$ 12,925,000
Total Funding	\$ 29,873,853	\$ 153,316,618
Expenses		
Medical Expenses		
Claims Expense	\$ 16,777,465	\$ 92,023,259
Claims IBNR	\$ -	\$ 1,500,000
Medical Administration Fees	\$ 1,155,202	\$ 6,814,215
Refunds	\$ (59,293)	\$ 1,963
Employee Assistance Program (EAP)	\$ 56,163	\$ 337,257
Life Insurance	\$ 54,708	\$ 328,289
Pharmacy Expenses		
RX Claims	\$ 6,488,753	\$ 34,711,683
RX IBNR	\$ -	\$ (600,000)
RX Administration	\$ 253,931	\$ 1,546,800
Plan Administration	\$ 2,093,542	\$ 3,849,644
Total Expenses	\$ 26,820,470	\$ 140,513,109
Net Income/(Loss)	\$ 3,053,384	\$ 12,803,509

BALANCE SHEET

Assets		
Bank Account		\$ 9,266,885
State Treasury		\$ 71,530,318
Due from Cafeteria Plan		\$ 5,205,521
Due from PSE		\$ -
Receivable from Provider		\$ -
Accounts Receivable		\$ 925,944
Total Assets		\$ 86,928,668
Liabilities		
Accounts Payable		\$ 4,658,061
Deferred Revenues		\$ 6,495
Due to Cafeteria		\$ 465
Due to PSE		\$ 178,839
Due to Federal Government (\$63 fee)		\$ 1,688,337
Health IBNR		\$ 24,700,000
RX IBNR		\$ 1,800,000
Total Liabilities		\$ 33,032,197
Net Assets		\$ 53,896,472
Less Reserves Allocated:		
Premiums for Plan Year 1/1/14 - 12/31/14	(\$7,460,000 + \$9,390,000 + \$9,000,000)	\$ (12,925,000)
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)
Net Assets Available		\$ 15,111,472

Fifth Week of claims totaled: \$4,648,991.63

Arkansas State Employees (ASE) Financials - January 1, 2013 through June 30, 2013				
	Gold	Silver	Bronze	Total
Actives	45,234	2,197	3,498	50,929
Retirees	3,443	34	78	3,555
Medicare	10,461			10,461
Total	59,138	2,231	3,576	64,945
Revenues & Expenditures				
Funding			Current Month	Year to Date (6 months)
State Contribution			\$ 13,548,122	\$ 81,242,314
Employee Contribution			\$ 7,268,997	\$ 43,388,449
Other			\$ 5,938,698	\$ 7,966,924
Allocation for Active/Retiree Plan Year 2013			\$ 2,236,667	\$ 13,420,000
Total Funding			\$ 28,992,484	\$ 146,017,687
Expenses				
Medical Expenses				
Claims Expense			\$ 15,912,848	\$ 98,087,409.27
Claims IBNR			\$ 2,100,000	\$ 2,100,000
Medical Admin Fees			\$ 1,163,963	\$ 6,555,469
Refunds			\$ (28,572)	\$ 28,125
Employee Assistance Program (EAP)			\$ 56,630	\$ 339,134
Life Insurance			\$ 55,039	\$ 329,598
Pharmacy Expenses				
RX Claims			\$ 8,065,737	\$ 44,415,620
RX IBNR			\$ (800,000)	\$ (800,000)
RX Admin			\$ 474,565	\$ 1,562,255
Plan Administration			\$ 352,087	\$ 1,833,942
Total Expenses			\$ 27,352,299	\$ 154,451,553
Net Income/(Loss)			\$ 1,640,185	\$ (8,433,866)
Balance Sheet				
Assets				
Bank Account				\$ 10,760,503
State Treasury				\$ 73,501,875
Due from Cafeteria Plan				\$ 4,538,305
Due from PSE				\$ 8,703
Receivable from Provider				\$ 539,324
Accounts Receivable				\$ 1,802,026
Total Assets				\$ 91,150,737
Liabilities				
Accounts Payable				\$ 5,366,870
Deferred Revenues				\$ 92,414
Due to Cafeteria				\$ 751
Due to PSE				\$ 2,159
Health IBNR				\$ 23,200,000
RX IBNR				\$ 2,400,000
Total Liabilities				\$ 31,062,194
Net Assets				\$ 60,088,542
Less Reserves Allocated:				
Active/Retiree Premiums for Plan Year 1/1/13 - 12/31/13 (\$11,190,000 + \$15,650,000)				\$ (13,420,000)
Active/Retiree Premiums for Plan Year 1/1/14 - 12/31/14 (\$7,460,000 + \$9,390,000)				\$ (16,850,000)
Active/Retiree Premiums for Plan Year 1/1/15 - 12/31/15 (\$6,260,000)				\$ (6,260,000)
Catastrophic Reserve				\$ (10,000,000)
Net Assets Available				\$ 13,558,542

Fifth week of claims totaled: \$5,340,148.38 IBNR increased \$1,300,000



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

The following report resulted from a meeting of the Benefits Sub-Committee from July 28, 2014 with Gwen Wiggins presiding.

Topics Discussed:

1. 2015 Projections & PSE Rates

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 PSE Rates

There were several alternatives for recommendation. After discussion the Committee voted on the following:

- (1) Honey motioned to approve alternative 3 for The Premium Plan. Harrison seconded and requested to see individual votes. All members voted yes. **Motioned Approved.**
- (2) Altemus motioned to approve alternative 1 for The Classic Plan, and alternative 3 for The Basic Plan with a HSA. McCook seconded. All were in favor. **Motioned Approved.**
- (3) Altemus motioned to approve the unadjusted rates for 2015. McCook seconded. All were in favor. **Motioned Approved.**

Exclusions: McCook motioned to exclude International Air Ambulance. Altemus seconded. All were in favor. **Motioned Approved.**

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

Preliminary Rates for CY 2015



July 29, 2014

John Colberg, FSA, MAAA

Gaelle Gravot, FSA, MAAA



Topics

1. Comments
2. 2015 Benefit Options
3. Employee Contribution Strategy
 - a. Risk Adjusted vs. Non-Risk Adjusted rates
 - b. Strategy Comparison
4. Preliminary PSE Rates

Appendices

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



Comments

- Figures changed from June presentations as a result of updated 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

<i>Yellow highlight means the coverage is changed</i>	2014 Gold	Recommended PSE Premium	ASE Premium	2014 Silver
Actuarial Value (per MV Calculator)	83.7%	81.9%	83.3%	78.5%
<i>In-Network:</i>				
Deductible - Individual	\$0	\$1,000	\$500	\$1,000
Co-Insurance Limit - Individual (after Deductible)	\$2,500	\$2,500	\$2,500	\$3,000
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)	\$2,500	\$3,500	\$3,000	\$4,000
Deductible - Family	\$0	\$2,000	\$1,000	\$2,000
Co-Insurance Limit - Family (after Deductible)	\$5,000	\$5,000	\$5,000	\$6,000
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)	\$5,000	\$7,000	\$6,000	\$8,000
Coinsurance Rate	80%/20%	80%/20%	80%/20%	80%/20%
Physician Office Visit - Primary Care - Co-Pay	\$35	\$25	\$25	\$35
Physician Office Visit - Specialist - Co-Pay	\$70	\$50	\$50	\$70
Rx - Deductible	None	None	None	None
Rx - Tier 1 - Generic	\$15	\$15	\$15	\$15
Rx - Tier 2 - Preferred Brand	\$40	\$40	\$40	\$40
Rx - Tier 3 - Non-Preferred Brand	\$80	\$80	\$80	\$80
Rx - Specialty	\$100	\$100	\$100	\$100
Rx - Out of Pocket Maximum (Individual/Family)	n/a	\$3,100/\$6,200	\$3,600/\$7,200	n/a
Hospital / Facility - Inpatient & SNF - Co-Pay Per Admission*	\$250	\$0	\$0	\$300
Hospital / Facility - Outpatient - Co-Pay*	\$100	\$0	\$0	\$150
Urgent Care Visit	\$100	\$100	\$100	\$100
Emergency Room Visit	\$250	\$250	\$250	\$300
Emergency Transportation - Ambulance	\$50	\$50	\$50	\$50
High Tech Radiology - Co-Pay (1st Procedure Only)*	\$250	\$0	\$0	\$300
Rehab / Therapy - Outpatient - Physical/Speech/Occup	\$35	\$25	\$25	\$35
Rehab / Therapy - Outpatient - Chiropractic - Co-Pay	\$35	\$25	\$25	\$35
<i>Out-of-Network:</i>				
Deductible - Individual/Family	\$1,000/\$2,000	\$2,000/\$4,000	\$2,000/\$4,000	\$1,500/\$3,000
Co-Insurance	60%/40%	60%/40%	60%/40%	60%/40%
Co-Insurance Limit - Individual/Family (after Deductible)	\$5,000/\$10,000	None	None	\$5,000/\$10,000
Max. Out-of-Pocket (Deductible + Co-Insurance)	\$6,000/\$12,000	None	None	\$6,500/\$13,000

*Deductible & Co-Insurance also applies

2015 Benefit Options

<i>Yellow highlight means the coverage is changed</i>	Current Bronze	Recommended PSE Classic	ASE Classic	Recommended PSE Basic	Alternative PSE Basic	ASE Basic
Actuarial Value (per MV Calculator)	71.3%	71.3%	70.0%	60.5%	60.4%	60.6%
Monthly Plan HSA Contribution (Ind./Family)	\$0	\$0	\$25/\$50	\$0	\$0	\$25/\$50
<i>In-Network:</i>						
Deductible - Individual	\$2,000	\$2,000	\$2,500	\$4,000	\$4,250	\$6,450
Co-Insurance Limit - Individual (after Deductible)	\$4,350	\$4,450	\$3,950	\$2,450	\$2,200	n/a
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)	\$6,350	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450
Deductible - Family	\$3,000	\$3,000	\$5,000	\$8,000	\$8,500	\$12,900
Co-Insurance Limit - Family (after Deductible)	\$6,525	\$6,675	\$7,900	\$4,900	\$4,400	n/a
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)	\$9,525	\$9,675	\$12,900	\$12,900	\$12,900	\$12,900
Coinsurance Rate	80%/20%	80%/20%	80%/20%	70%/30%	80%/20%	100%/0%
Physician Office Visit - Primary Care - Co-Pay						
Physician Office Visit - Specialist - Co-Pay						
Rx - Deductible	Incl. w/ Med.	Incl. w/ Med.	Incl. w/ Med.	Incl. w/ Med.	Incl. w/ Med.	Incl. w/ Med.
Rx - Tier 1 - Generic			**	**	**	**
Rx - Tier 2 - Preferred Brand			**	**	**	**
Rx - Tier 3 - Non-Preferred Brand			not covered	not covered	not covered	not covered
Rx - Specialty			**	**	**	**
Hospital / Facility - Inpatient & SNF - Co-Pay Per Admission*						
Hospital / Facility - Outpatient - Co-Pay*						
Urgent Care Visit						
Emergency Room Visit						
Emergency Transportation - Ambulance						
High Tech Radiology - Co-Pay (1st Procedure Only)*						
Rehab / Therapy - Outpatient - Physical/Speech/Occup						
Rehab / Therapy - Outpatient - Chiropractic - Co-Pay						
<i>Out-of-Network:</i>						
Deductible - Individual/Family	\$3,000/\$6,000	\$3,000/\$6,000	\$4,000/\$8,000	not covered	not covered	not covered
Co-Insurance	60%/40%	60%/40%	60%/40%	not covered	not covered	not covered
Co-Insurance Limit - Individual/Family (after Deductible)	\$5,000/\$10,000	None	None	not covered	not covered	not covered
Max. Out-of-Pocket (Deductible + Co-Insurance)	\$8,000/\$16,000	None	None	not covered	not covered	not covered

*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	\$556.74	\$410.04	\$641.14	\$406.28	15%	-1%
Employee & Spouse	1,255.72	905.94	1,457.18	897.20	16%	-1%
Employee & Child(ren)	1,029.08	745.16	1,192.60	738.04	16%	-1%
Family	1,728.06	1,241.04	2,008.64	1,228.96	16%	-1%
Est. Monthly Total (\$mil)	\$13.9	\$10.2	\$10.7	\$6.7	-24%	-34%
Classic						
Employee Only	\$258.28	\$356.22	\$267.94	\$353.22	4%	-1%
Employee & Spouse	531.72	780.42	554.68	773.16	4%	-1%
Employee & Child(ren)	451.18	642.88	469.82	637.02	4%	-1%
Family	699.62	1,067.08	731.56	1,056.96	5%	-1%
Est. Monthly Total (\$mil)	\$6.3	\$9.0	\$8.3	\$11.3	32%	25%
Basic						
Employee Only	\$144.64	\$313.74	\$148.50	\$311.12	3%	-1%
Employee & Spouse	260.56	678.88	269.72	672.60	4%	-1%
Employee & Child(ren)	231.08	560.48	238.52	555.40	3%	-1%
Family	321.98	925.62	334.74	916.88	4%	-1%
Est. Monthly Total (\$mil)	\$0.8	\$2.0	\$1.1	\$2.5	33%	26%
Total (Monthly) (\$ mil)	\$21.0	\$21.2	\$20.0	\$20.5	-5%	-3%
Est Annual Total (\$ mil)	\$252.4	\$254.3	\$240.5	\$245.6	-5%	-3%
Total Actives & Retirees	\$290.7	\$290.7	\$281.9	\$281.9	-3%	-3%

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
					with	without*		2014 Silver		with	without	
Premium												
Employee Only	\$641.14	\$300.96	\$7.80	\$153.00	\$179.38	\$254.38	\$173.32	\$6.06	3%	\$81.06	47%	12,146
Employee & Spouse	1,457.18	479.04	12.42	153.00	812.72	887.72	785.24	27.48	3%	102.48	13%	285
Employee & Child(ren)	1,192.60	564.88	14.64	153.00	460.08	535.08	444.52	15.56	4%	90.56	20%	1,348
Family	2,008.64	1,014.42	26.30	153.00	814.92	889.92	787.36	27.56	4%	102.56	13%	421
Est. Monthly Total (\$mil)	\$10.7	\$5.0	\$0.1	\$2.2	\$3.4	\$0.1	\$3.3	\$0.1	3%	\$0.1	36%	14,200
Classic							2014 Bronze					
Employee Only	\$267.94	\$68.17	\$1.77	\$153.00	\$45.00	\$120.00	\$11.00	\$34.00	309%	\$109.00	991%	15,641
Employee & Spouse	554.68	53.55	1.39	153.00	346.74	421.74	266.72	80.02	30%	155.02	58%	1,154
Employee & Child(ren)	469.82	157.83	4.09	153.00	154.90	229.90	119.16	35.74	30%	110.74	93%	3,424
Family	731.56	222.43	5.77	153.00	350.36	425.36	269.50	80.86	30%	155.86	58%	2,552
Est. Monthly Total (\$mil)	\$8.3	\$2.2	\$0.1	\$3.5	\$2.5	\$0.2	\$1.6	\$1.0	60%	\$0.2	169%	22,772
Basic							2014 Bronze					
Employee Only	\$148.50	\$0.00	(\$15.50)	\$153.00	\$11.00	\$86.00	\$11.00	\$0.00	0%	\$75.00	682%	3,910
Employee & Spouse	269.72	0.00	(150.00)	153.00	266.72	341.72	266.72	0.00	0%	75.00	28%	289
Employee & Child(ren)	238.52	0.00	(33.64)	153.00	119.16	194.16	119.16	0.00	0%	75.00	63%	856
Family	334.74	0.00	(87.76)	153.00	269.50	344.50	269.50	0.00	0%	75.00	28%	638
Est. Monthly Total (\$mil)	\$1.1	\$0.0	(\$0.2)	\$0.9	\$0.4	\$0.0	\$0.4	\$0.0	0%	\$0.0	108%	5,693
Total (Monthly) (\$ mil)	\$20.0	\$7.2	(\$0.0)	\$6.5	\$6.3	\$0.3	\$5.2	\$1.1/\$1.4		20%/27%		42,665
Est Annual Total (\$ mil)	\$240.5	\$86.6	(\$0.0)	\$78.3	\$75.6	\$3.8	\$62.8	\$12.8/\$16.6		20%/27%		
vs 2014 plan elections (minimum District) - with/without wellness				\$78.3	\$75.6	\$3.8	\$98.9	-\$23.3/-19.5		-24%-20%		
vs 2014 plan elections (estimated District) - with/without wellness				\$94.5	\$59.4	\$3.8	\$82.7	-\$23.3/-19.5		-28%-24%		

Total Active & Ret (\$ mil)	\$281.9	\$86.6	\$0.0	\$78.3	\$117.0	\$3.8	\$96.2	\$20.8	22%	\$24.6	26%	56,827
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*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
					with	without*		2014 Silver	with	without		
Premium												
Employee Only	\$406.28	\$137.62	\$0.00	\$153.00	\$115.66	\$190.66	\$173.32	(\$57.66)	-33%	\$17.34	10%	12,146
Employee & Spouse	897.20	151.38	0.00	153.00	592.82	667.82	785.24	(192.42)	-25%	(117.42)	-15%	285
Employee & Child(ren)	738.04	275.24	0.00	153.00	309.80	384.80	444.52	(134.72)	-30%	(59.72)	-13%	1,348
Family	1,228.96	289.00	0.00	153.00	786.96	861.96	787.36	(0.40)	0%	74.60	9%	421
Est. Monthly Total (\$mil)	\$6.7	\$2.2	\$0.0	\$2.2	\$2.3	\$0.1	\$3.3	(\$0.9)	-29%	\$0.1	4%	14,200
Classic							2014 Bronze					
Employee Only	\$353.22	\$137.62	\$0.00	\$153.00	\$62.60	\$137.60	\$11.00	\$51.60	469%	\$126.60	1151%	15,641
Employee & Spouse	773.16	151.38	0.00	153.00	468.78	543.78	266.72	202.06	76%	277.06	104%	1,154
Employee & Child(ren)	637.02	275.24	0.00	153.00	208.78	283.78	119.16	89.62	75%	164.62	138%	3,424
Family	1,056.96	289.00	0.00	153.00	614.96	689.96	269.50	345.46	128%	420.46	156%	2,552
Est. Monthly Total (\$mil)	\$11.3	\$4.0	\$0.0	\$3.5	\$3.8	\$0.2	\$1.6	\$2.2	141%	\$0.2	250%	22,772
Basic							2014 Bronze					
Employee Only	\$311.12	\$137.62	\$0.00	\$153.00	\$20.50	\$95.50	\$11.00	\$9.50	86%	\$84.50	768%	3,910
Employee & Spouse	672.60	151.38	0.00	153.00	368.22	443.22	266.72	101.50	38%	176.50	66%	289
Employee & Child(ren)	555.40	275.24	0.00	153.00	127.16	202.16	119.16	8.00	7%	83.00	70%	856
Family	916.88	289.00	0.00	153.00	474.88	549.88	269.50	205.38	76%	280.38	104%	638
Est. Monthly Total (\$mil)	\$2.5	\$1.0	\$0.0	\$0.9	\$0.6	\$0.0	\$0.4	\$0.2	52%	\$0.0	160%	5,693
Total (Monthly) (\$ mil)	\$20.5	\$7.2	\$0.0	\$6.5	\$6.7	\$0.3	\$5.2	\$1.5/\$1.8		29%/35%		42,665
Est Annual Total (\$ mil)	\$245.6	\$86.6	\$0.0	\$78.3	\$80.7	\$3.8	\$62.8	\$18.0/\$21.8		29%/35%		
vs 2014 plan elections (minimum District) - with/without wellness				\$78.3	\$80.7	\$3.8	\$98.9	-\$18.2/-14.3		-18%-14%		
vs 2014 plan elections (estimated District) - with/without wellness				\$94.5	\$64.5	\$3.8	\$82.7	-\$18.2/-14.3		-22%-17%		

Total Active & Ret (\$ mil)	\$281.9	\$86.6	\$0.0	\$78.3	\$117.0	\$3.8	\$96.2	\$20.8	22%	\$24.6	26%	56,827
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*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: Employee Cost	25% Risk Adj Employee Cost	50% Risk Adj Employee Cost	75% Risk Adj Employee Cost	Risk Adj Rate: Ee Cost	2014 Employee Cost		Assumed Enrollment
						2014 Gold	2014 Silver	
Premium								
Employee Only	\$179.38	\$163.46	\$147.52	\$131.60	\$115.66	\$249.38	\$173.32	12,146
Employee & Spouse	812.72	757.74	702.78	647.80	592.82	1,129.92	785.24	285
Employee & Child(ren)	460.08	422.52	384.94	347.38	309.80	639.62	444.52	1,348
Family	814.92	807.94	800.94	793.96	786.96	1,132.96	787.36	421
	\$3.4	\$3.1	\$2.8	\$2.6	\$2.3			14,200
Classic						2014 Bronze		
Employee Only	\$45.00	\$49.40	\$53.80	\$58.20	\$62.60	\$11.00		15,641
Employee & Spouse	346.74	377.26	407.76	438.28	468.78	266.72		1,154
Employee & Child(ren)	154.90	168.38	181.84	195.32	208.78	119.16		3,424
Family	350.36	416.52	482.66	548.82	614.96	269.50		2,552
	\$2.5	\$2.8	\$3.2	\$3.5	\$3.8			22,772
Basic						2014 Bronze		
Employee Only	\$11.00	\$13.38	\$15.76	\$18.12	\$20.50	\$11.00		3,910
Employee & Spouse	266.72	292.10	317.48	342.84	368.22	266.72		289
Employee & Child(ren)	119.16	121.16	123.16	125.16	127.16	119.16		856
Family	269.50	320.84	372.20	423.54	474.88	269.50		638
	\$0.4	\$0.4	\$0.5	\$0.5	\$0.6			5,693
Total (Monthly) (\$ mil)	\$6.3	\$6.4	\$6.5	\$6.6	\$6.7			42,665
Est Annual Total (\$ mil)	\$75.6	\$76.8	\$78.1	\$79.4	\$80.7			

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: Retiree Cost	25% Risk Adj Retiree Cost	50% Risk Adj Retiree Cost	75% Risk Adj Retiree Cost	Risk Adj Rate: Ret. Cost	2014 Retiree Cost		Assumed Enrollment
						2014 Gold	2014 Silver	
Premium								
Retiree Only	\$641.14	\$582.43	\$523.71	\$465.00	\$406.28	\$566.72	\$426.54	2,054
Retiree & NME SP	1,457.18	1,317.19	1,177.19	1,037.20	897.20	1,360.06	1,107.40	141
Retiree & Child(ren)	1,192.60	1,078.96	965.32	851.68	738.04	1,048.24	779.76	21
Retiree & NME SP&CH	2,008.64	1,813.72	1,618.80	1,423.88	1,228.96	1,841.60	1,363.04	15
Retiree & ME SP	795.12	736.41	677.69	618.98	560.26	720.18		159
Retiree & ME SP & CH	1,346.58	1,232.94	1,119.30	1,005.66	892.02	1,201.70		-
Est. Monthly Total (\$mil)	\$1.7	\$1.5	\$1.4	\$1.2	\$1.1			2,391
Classic						2014 Bronze		
Employee Only	\$267.94	\$289.26	\$310.58	\$331.90	\$353.22	\$267.66		1,254
Employee & Spouse	554.68	609.30	663.92	718.54	773.16	600.98		243
Employee & Child(ren)	469.82	511.62	553.42	595.22	637.02	468.20		33
Family	731.56	812.91	894.26	975.61	1,056.96	801.52		41
Est. Monthly Total (\$mil)	\$0.5	\$0.6	\$0.6	\$0.7	\$0.7			1,571
Basic						2014 Bronze		
Employee Only	\$148.50	\$189.16	\$229.81	\$270.47	\$311.12	\$267.66		139
Employee & Spouse	269.72	370.44	471.16	571.88	672.60	600.98		27
Employee & Child(ren)	238.52	317.74	396.96	476.18	555.40	468.20		4
Family	334.74	480.28	625.81	771.35	916.88	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	\$2.0	\$1.9	\$1.8			4,137
Est Annual Total (\$ mil)	\$27.0	\$25.8	\$24.6	\$23.4	\$22.2			
Medicare Eligible								
Retiree Only	\$98.80	\$98.80	\$98.80	\$98.80	\$98.80	\$81.68		9,087
Retiree & NME SP	783.92	725.21	666.49	607.78	549.06	708.98		96
Retiree & Child(ren)	757.10	701.05	645.01	588.97	532.93	665.66		17
Retiree & NME SP&CH	1,521.48	1,385.28	1,249.07	1,112.86	976.66	1,310.62		1
Retiree & ME SP	257.88	257.88	257.88	257.88	257.88	271.04		824
Retiree & ME SP & CH	888.57	832.53	776.49	720.45	664.41	788.44		-
Est. Monthly Total (\$mil)	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2			10,026
Total (Est. Annual)	\$14.4	\$14.3	\$14.2	\$14.2	\$14.1			

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



CHEIRON

Classic Values, Innovative Advice



Appendix A – Current Benefit Summary

Benefit Option Name: Last Modified: Provider Network:	Gold 1/1/2014 Health Advantage	Silver 1/1/2014 QualChoice	Bronze 1/1/2014 Health Advantage
<u>In-Network (INN) Benefits</u>			
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
<u>Out-of-Network (OON) Benefits</u> ¹			
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
Annual Maximum INN / OON	Unlimited	Unlimited	Unlimited
<u>Prescription Drugs</u>			
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.
<u>Selected Detail Benefits</u>			
Emergency Transportation - Ambulance	INN: \$50 Copay; OON: Ded & Coins.	INN: \$50 Copay; OON: Ded & Coins.	
Psychiatry	INN: \$25 Copay; OON: Ded & Coins.	INN: \$25 Copay; OON: Ded & Coins.	Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical):	INN: \$35 Copay; OON: Ded. & Coins.	INN: \$35 Copay; OON: Ded. & Coins.	Ded. & Coins.
Chiropractors:	INN: \$35 ; OON: Ded & Coins.	INN: \$50; 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

¹When 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:
Benefit:
Experience Period - Service (Incurred) Dates
Experience Period - Processed (Paid) Dates

	Premium (from Gold/Silver)			Classic (from Bronze)			Basic (from Bronze)		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	6/13 - 5/14	7/13 - 6/14		6/13 - 5/14	7/13 - 6/14		6/13 - 5/14	7/13 - 6/14	
	6/13 - 6/14	7/13 - 6/14		6/13 - 6/14	7/13 - 6/14		6/13 - 6/14	7/13 - 6/14	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$133,448,039	\$44,914,823	\$178,362,863	\$55,528,945	\$10,050,689	\$65,579,634	\$55,528,945	\$10,050,689	\$65,579,634
2 Less High Cost Claims Above (Med/Rx)	\$125,000	\$25,000		\$8,529,780	\$6,640,314	\$15,170,095	\$2,057,718	\$737,838	\$2,795,556
3 Net Incurred Claims below Pooling Point [1 - 2]	\$124,918,259	\$38,274,509	\$163,192,768	\$53,471,228	\$9,312,850	\$62,784,078	\$53,471,228	\$9,312,850	\$62,784,078
4 Person Months for Experience Period	414,756	410,042	413,650	490,112	495,869	490,966	490,112	495,869	490,966
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$301.18	\$93.34	\$394.52	\$109.10	\$18.78	\$127.88	\$109.10	\$18.78	\$127.88
6 Change in Benefits & Network/Contract During Experience Period	0.9931	0.9023		0.9534	0.9363		0.9534	0.9363	
7 Change in Demographics or Illness Burden During Experience Period	1.0515	1.0400		1.0055	1.0074		1.0055	1.0074	
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	19	18		19	18		19	18	
c) Trend Adjustment	1.0966	1.0913		1.0966	1.0913		1.0966	1.0913	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$346.40	\$95.59	\$442.00	\$114.88	\$19.34	\$134.22	\$114.88	\$19.34	\$134.22
11 Charge for Claims above Pooling Point PPPM	\$27.48	\$15.18	\$42.66	\$9.27	\$3.03	\$12.30	\$9.27	\$3.03	\$12.30
12 Total Claims Charged PPPM [10 + 11]	\$373.88	\$110.77	\$484.65	\$124.15	\$22.37	\$146.52	\$124.15	\$22.37	\$146.52
13 Change in Future Benefits & Networks/Contracts	0.9298	1.0572		0.8802	0.9037		0.6945	0.6945	
14 Change in Future Demographics (Age/Gender/Family) or Illness Burden	1.1771	1.1948		1.2473	1.2464		0.5418	0.5242	
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]	\$409.18	\$139.92	\$549.10	\$136.30	\$25.20	\$161.51	\$46.72	\$8.15	\$54.86
17 ACA Transitional Reinsurance Fee & ARK PCMH PPPM			\$6.67			\$6.67			\$6.67
18 Projected Persons Months	252,088	252,088	252,088	479,312	479,312	479,312	116,564	116,564	116,564
19 Projected Total Incurred Claims & Fee [(16 + 17) x 18]	\$103,150,556	\$35,271,591	\$140,102,735	\$65,332,494	\$12,080,425	\$80,608,334	\$5,445,672	\$949,603	\$7,172,369
20 PEPM Expenses and Other Costs			\$40.45			\$38.67			\$38.80
21 Retiree Subsidy / Holdback PEPM			\$11.20			\$11.20			\$11.20
22 Projected Expense Loaded Cost [19 + (20+21) x 23]			\$150,457,685			\$95,177,369			\$10,692,608
23 Conversion to Rating Tiers [19 x rating tier x counts]									
Method: <input type="text" value="Person"/>									
	x tier	Projected		x tier	Projected		x tier	Projected	
	factor	Ee Months	PEPM	factor	Ee Months	PEPM	factor	Ee Months	PEPM
a) Employee Only	1.07	173,472	\$647.71	1.12	202,741	\$238.95	1.13	48,596	\$119.50
b) Employee & Spouse	2.56	5,114	\$1,472.85	2.68	16,772	\$500.68	2.69	3,787	\$215.72
c) Employee & Child(ren)	2.08	16,447	\$1,205.32	2.18	41,481	\$415.82	2.19	10,316	\$184.52
d) Family	3.56	5,230	\$2,030.46	3.73	31,122	\$677.56	3.75	7,712	\$280.74
e) Child(ren) of Medicare Retirees	1.00	200	\$609.26						
24 Rates Balance Confirmation		200,464	\$150,457,685		292,117	\$95,177,369		70,411	\$10,692,608

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

	Medicare	
	Medical	Total
	6/13 - 5/14	
	6/13 - 6/14	
1 Total Incurred Medical & Rx Claims	\$13,153,678	\$13,153,678
2 Less High Cost Claims Above (Med/Rx)	\$53,711	\$53,711
	\$125,000	\$25,000
3 Net Incurred Claims below Pooling Point [1 - 2]	\$13,099,966	\$13,099,966
4 Person Months for Experience Period	109,416	109,416
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$119.73	\$119.73
6 Change in Benefits & Network/Contract During Experience Period	1.0000	
7 Change in Demographics or Risk During Experience Period	1.0038	
8 Change in Geographic During Experience Period	1.0000	
9 a) Annual Trend Rate	5.0%	
b) Months to Trend	19	
c) Trend Adjustment	1.0803	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$129.84	\$129.84
11 Charge for Claims above Pooling Point PPPM	\$4.11	\$4.11
12 Total Claims Charged PPPM [10 + 11]	\$133.95	\$133.95
13 Change in Future Benefits & Networks/Contracts	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Illness Burden	0.9816	
15 Change in Future Geographic	1.0000	
16 Projected Incurred Claim PPPM [13 x 14 x 15]	\$131.48	\$131.48
17 Projected Person Months	132,112	132,112
18 Allocated Expenses	\$22.50	\$22.50
19 Projected ME Retiree Months	120,308	120,308
20 Projected Total Incurred Claims & Exp [16 x 17 + 18 x 19]	\$20,077,008	\$20,077,008



Appendix B – Rating Worksheets (8,000 actives migrate)

PSE 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>Ret Months</u>	<u>PEPM</u>
a)	1.07	\$647.71	-	\$0.00	23,297	\$647.71
b)	2.56	\$1,472.85	-	\$0.00	1,668	\$1,472.85
c)	2.08	\$1,205.32	-	\$0.00	238	\$1,205.32
d)	3.56	\$2,030.46	-	\$0.00	180	\$2,030.46
e)	1.07	\$647.71	1.00	\$131.48	1,913	\$779.19
f)	2.08	\$1,205.32	1.00	\$131.48	-	\$1,336.80
g)		\$0.00	1.00	\$153.98	109,044	\$153.98
h)	1.07	\$636.51	1.00	\$153.98	1,156	\$790.49
i)	1.00	\$598.06	1.00	\$153.98	200	\$752.04
j)	2.49	\$1,382.75	1.00	\$153.98	16	\$1,536.73
k)		\$0.00	2.00	\$285.46	9,892	\$285.46
l)	1.00	\$598.06	2.00	\$285.46	-	\$883.52
		<u>\$20,315,270</u>		<u>\$20,077,008</u>		<u>\$40,392,277</u>

Appendix C: ASE Active Rates

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	
				with	without*		2014 Gold		with			without
Premium												
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
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*Already subtracted from Total Rates

Assumes 90% of population pays discounted rates.

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

Appendix C: ASE Retiree Rates

NME Retirees	Risk Adjusted Total Rate	State Contrib.	Reserve Used / (Added)	2015 Retiree Cost	2014 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Premium					2014 Gold			
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
Classic					2014 Bronze			
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
Basic					2014 Bronze			
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		
Medicare Eligible								
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.



Appendix D – 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
 - 1% decrease in children per employee due to dependent audit
 - 1% decrease in Employee & Spouse and Family Tiers due to dependent audit and excluding spouses with other coverage, no net change in Employee/Child(ren), Employee Only Increasing so total enrollment unchanged
- Experience period: June 2013 through May 2014 for medical; July 2013 through June 2014 for Rx. Claims are paid through June 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.