



AGENDA

State and Public School Life and Health Insurance Board

February 16, 2016

1:00 p.m.

EBD Board Room – 501 Building, Suite 500

- I. Call to OrderCarla Haugen, Chairman***
- II. Approval of January 19, 2015 Minutes.....Carla Haugen, Chairman***
- III. ASE-PSE Financials January, 2016..... Marla Wallace, EBD Fiscal Officer***
- IV. Benefits Sub-committee Report.....Shelby McCook, Benefits Committee Member***
- V. DUEC Sub-committee Report.....Dr. Geri Bemberg, Dr. Hank Simmons, UAMS***
- VI. Quality of Care Sub-committee Report..... Dr. Joseph Thompson, Director ACHI***
- VII. 2015 Hlth Plans Overview/Impact of PBM Change.....John Colberg, Gaelle Gravot, Cheiron, Inc.***
- VIII. EBD Executive Director Search Update..... Carla Haugen, Chair***
- IX. Director's Report..... Janis Harrison, EBD Interim Director***

Upcoming Meetings

March 15, 2016

***NOTE: All material for this meeting will be available by electronic means only
ethel.whittaker@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 Meeting Board Meeting Minutes February 16, 2016

The 156th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on February 16, 2016 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

MEMBERS PRESENT

Dr. Tony Thurman
Dr. John Kirtley
Shelby McCook
Carla Haugen- Chairman
Angela Avery
Renee Mallory
Lori Freno-Engman
Dr. Joseph Thompson
Dan Honey – Vice Chairman
Robert Boyd

MEMBERS ABSENT

Dr. Andrew Kumpuris
Katrina Burnett

Janis Harrison, Interim Director, Employee Benefits Division

OTHERS PRESENT:

David Keisner, Dwight Davis, Geri Bemberg, Jill Johnson, Sherry Bryant, UAMS; Ethel Whittaker, Marla Wallace, Stella Green, Gretchen Baggett, Lori Eden, Janna Keathley, EBD; Kristi Jackson, Jennifer Vaughn, ComPsych; Pam Lawrence, AHH; Sylvia Landers, Eileen Wider, Minnesota Life; Dr. Hank Simmons, EBRX; Arlene Chan-Mouton, ACH; John Bridges, ASEA; Mike Boyd, Wayne Whitley, Ronda Walthall, AR Highway & Transportation Dept; Jessica Akins, Takisha Sanders, Dr. Creshelle Nash, D.J. Bradley, Health Advantage; Susan Walker, DataPath; Jennifer Smith, ASU; Robyn Keene, AAEA; Steve Althoff, MTI; Charles Warren, FSPS; Scott Pace, APA; Raina Porchay, Sarah Bujak, Optum Rx; Martha Hill, Mitchell Williams; Bill Clary, H&H; Richard Ponder, J & J; Jackie Baker, ASP; Allison Drennon, Insurance Advantage; Drew Crawford, SEBCO; Erica Gee, Robyn Keene, Mike Mertens, AAEA; Karen Langley, Qual Choice; Sam Smothers, Astra Zeneca; Leah Raminez, ACHI; Frances Bauman, Novo Nordisk; Brian Strickland; Sharon, Two Rivers School

CALL TO ORDER:

Meeting was called to order by Carla Haugen, Chairman

APPROVAL OF MINUTES: *by Carla Haugen, Chairman*

The request was made by Haugen to approve the January 19, 2016 minutes.

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

Minutes approved.

FINANCIALS: *by Marla Wallace, EBD Fiscal Officer*

Wallace reported financials for January 2016. For January PSE four (4) weeks of medical and pharmacy claims were paid. The quarterly payment from the Department of Education was received in the amount of \$3.7 million. There was a gain of \$7 million for the month and year-to date. The new allocation of reserves (\$3.975 million per month) is 1/12 of the total of \$47.7 million. This includes the allocation set aside by the Board in the amount of \$9.6 million and the Department of Education in the amount of \$20 million and \$18.1 million. The catastrophic reserve for 2016 was recalculated and it decreased \$400,000; from \$10.9 million to \$10.5 million. Net Assets available are \$41.4 million.

For ASE the month of January four (4) weeks of medical and pharmacy claims were paid. The new allocation of reserves is 1/12 of the total of \$16.2 million that was allocated by the Board. The monthly amount will be \$1.35 million. There was a gain of \$4.4 million for the month and year-to-date. The Catastrophic reserve for 2016 was recalculated and it increased \$300,000; from \$10.4 million to \$10.7 million. The net assets available are \$32.3 million.

BENEFITS SUB-COMMITTEE REPORT: *By: Shelby McCook, Benefits Committee Member*

McCook reported the Benefits Sub-committee met on February 5, 2016. The committee discussed the following topics:

- Introduction of New Committee Members
- ASE/PSE 2015 Plan Year
- WageWorks FSA/HSA Presentation
- HSA Funding for ASE Overview/PSE Opportunity

McCook motioned to approve the report. Dr. Thompson seconded. All were in favor

Motion approved.

DUEC REPORT: *by Dr. Hank Simmons, Dr. Geri Bemberg, UAMS*

The attached report resulted from a special meeting of the DUEC on February 1, 2016 with Dr. Hank Simmons presiding.

A. Dr. Simmons reported the Delivery Coordination Workgroup recommended cover Cotellic and Zelboraf at T4 with a PA. In addition, continue covering Opdivo as it is currently covered, until the Board has more information on the clinical and cost effectiveness.

After discussion, Dr. Thompson motioned to; (1) Continue covering the drug as is, (2) Dr. Johnson and team research for specific diagnosis, (3) Research resources available for a presentation regarding direction on this topic to involve the Board engagement, (4) Describe alternative treatment, and (5) In addition, adopt the recommendations for Cotellic. Coverage is for 2016. Dr. Kirtley seconded. All were in favor.

Motion approved.

B. Dr. Bemberg reported on a previous discussion of Zetia, a cholesterol absorption inhibitor. The recommendation is for Tier 3, PA. The question arose should Vytorin be covered? **The committee recommended excluding Vytorin due to Zetia becoming generic in 2016.**

C. Dr. Keisner reported that Desi Drugs has determined to be safe, but not effective. The new pharmacy vendor has classified the drugs as excluded. Dr. Keisner would like a recommendation to exclude or cover. **The committee requested a list of the drugs that are in this category. The drugs will be tabled until further review of the drug list. The report will be presented at the next meeting.**

D. Dr. Bemberg reported Topical Local Anesthetics; if not reviewed properly can be viewed incorrectly in terms of not being classified as a new drug. This has the potential to create cost effective issues for the plan. **The committee recommended exclusion.**

E. Dr. Johnson reported on drugs that have been examined in the past; Envarsus, Empagliflozin (Jardiance), empagliflozin/metformin (Synjardy) and Evolocumab (Repatha), and Alirocumab (Praluent). The Insurance Board voted 11/17/2015 to exclude the Repatha and Praluent as recommended by the DUEC Committee. **The committee recommends to cover Jardiance and Synjardy T3PA and to exclude Envarsus. The committee also recommends continued exclusion of Repatha and Praluent pending outcomes data.**

Dr. Kirtley motioned to approve B, C, D, and E. Honey seconded. All were in favor.
Motion approved.

Dr. Simmons requested the Board review the report for recommendations of: New drugs, Specialty drugs, and Exclusions.

After reviewing the report Dr. Thompson motioned to approve A; (New Drugs), B; (Exclusions), and C; (Specialty Drugs), of the DUEC report. Dr. Kirtley seconded. All were in favor.

Motion approved.

Discussion: Dr. Johnson recommended Narcan Spray, for Opiate Agonist Overdose, Tier 3 quantity limit of 1 per 31 days. The DUEC Committee recommendation was to prior authorize the drug.

Dr. Kirtley reported the reason for the prior authorization is there was no Legislation in the 2015 session to help increase access to Naloxone and other Opiate reversal agents. This means there is a possibility this drug could be almost available as an over-the-counter item. Dr. Kirtley reported there is a need for verification that the plan member is receiving the drug. Dr. Thompson inquired are all Opiate's prior authorized? Committee Members replied "no".

Dr. Simmons inquired how likely will a patient experiencing high dosages of Opiates require Naloxone? Dr. Kirtley reported that will depend on the amount of the patient's dosage; along with taking other drugs that have the potential to counteract with the Opiate.

After discussion the motion to approve the report carries as voted.

QUALITY OF CARE COMMITTEE REPORT: *By: Dr. Joseph Thompson, Director ACHI*

Dr. Thompson reported the committee met on January 12, 2016. The topics of discussion were: (1) A Primary Care Physician Assignment, (2) Anesthesia for Colonoscopies, (3) the Wellness Program for 2017, and (4) new business topics.

McCook motioned to approve the Primary Care Provider Assignment. Dr. Kirtley seconded. All were in favor.

Motion approved.

Dr. Thompson reported the Board will make a decision regarding Anesthesia for Colonoscopies after reviewing the information requested by the committee to be presented at the March 8th Quality of Care Committee meeting. The information includes the identity of the clinics involved, their locations, and how many procedures are performed for the members. Dr. Nash reported currently all claims are denied with Anesthesia coding.

2015 HEALTH PLANS OVERVIEW/IMPACT OF PBM CHANGE: *by John Colberg, Cheiron*

Colberg reported PSE assets increased significantly in 2015 primarily due to claims being well below the projection and income well above projection, finishing the year with almost \$35 million in net assets available.

After adjusting for enrollment differences, medical claims in 2015 were still well below projected while pharmacy claims were only slightly below projected.

Enrollment in 2015 was higher than projected for actives with fewer spouses than projected. Classic has the most enrollees; however, more participants enrolled in Premium than projected and fewer in basic. Fewer non-Medicare retirees enrolled than assumed, while the number of Medicare retirees was close to projected.

January 2016 enrollment shows a stable enrollment over 2015 with a slight shift from Premium to Basic for actives, and a slight increase in the number of retirees enrolled.

Updated enrollment experience should result in approximately a \$5 million gain for 2016, if all other factors are equal to our projections. (The potential impact of a change in PBM is not reflected in the report.)

For ASE assets increased primarily due to enrollment changes.

Both Medical and pharmacy claims in 2015 were below projected. However, after adjusting for changes in enrollment, both medical and pharmacy claims experience was very close to, but still slightly below projections.

Enrollment in 2015 was below projected for actives, and more spouses than projected dropped coverage. Retirees in total were above projected.

Updated enrollment experience should result in approximately a \$5 million gain for 2016, if all other factors are equal to our projections.

Colberg reported on the Pharmacy Network Rates for 2016 PBM Implementation. As a part of the RFP process, bidders were required to reprice all drugs claims from January through March 2015. Cheiron evaluated the bidder repricing. The bidder with the lowest reprice was awarded points that counted towards the overall winner's score.

The Preliminary Rates are as follows:

- **Brand:** AWP – 15.65% + \$1.50 Dispensing Fee – (Current = AWP – 10% + \$3.50)
- **Specialty:** AWP – 15.65% + \$1.50 Dispensing Fee – (Current = AWP – 10% + \$3.50)

- **Generic:** Lesser of AWP – 15.65% or MAC + \$1.50 – (Current = MAC + \$4.50)

The total savings could be as much as \$16 million, which equates to \$8 million for the Plan and \$8 million for the Members. EBD is currently working with The Arkansas Pharmacy Association on a Board proposal that would reinvest some of the savings for increased clinical management from Arkansas pharmacists in place of current generic incentive.

McCook suggested the DUEC Committee development criteria that would be beneficial to the plan.

Colberg will provide Preliminary Projections for 2017 at next month's meeting.

EBD EXECUTIVE DIRECTOR SEARCH UPDATE: *by Janis Harrison, EBD Interim Director*

Harrison reported the position closed February 12, 2015. Currently there have been seventy five applications received for the EBD Director Position with only eleven meeting the minimum qualifications.

DIRECTOR'S REPORT: *by Janis Harrison, EBD Interim Director*

Harrison reported there have been issues with the new vendor WageWorks. There are concerns with them meeting deadlines with the forms and funding the accounts. WageWorks must correct the issues immediately.

Harrison reported there have been 84 members enroll from ASE and 64 members enroll from PSE in the Bariatric program.

Meeting adjourned.

Arkansas State Employees (ASE) Financials - January 1, 2015 through January 31, 2015									
BASIC CLASSIC PREMIUM PRIMARY TOTAL	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
	809	8		817		1459	19		1478
	1781	59		1840		3075	97		3172
	24850	2157		27007		43507	2777		46284
		232	8629	8861			475	11396	11871
	27440	2456	8629	38525		48041	3368	11396	62805
REVENUES & EXPENDITURES									
						Current Month	Year to Date (1 Month)		
Funding									
State Contribution						\$	14,344,074	\$	14,344,074
Employee Contribution						\$	8,024,828	\$	8,024,828
Other						\$	446,120	\$	446,120
Allocation for Actives - Plan Year 2015						\$	971,667	\$	971,667
Total Funding						\$	23,786,689	\$	23,786,689
Expenses									
Medical Expenses									
Claims Expense						\$	6,697,294	\$	6,697,294
Claims IBNR						\$	-	\$	-
Medical Administration Fees						\$	1,060,440	\$	1,060,440
Refunds						\$	(4,543)	\$	(4,543)
Employee Assistance Program (EAP)						\$	56,452	\$	56,452
Life Insurance						\$	55,034	\$	55,034
Pharmacy Expenses									
RX Claims						\$	5,599,292	\$	5,599,292
RX IBNR						\$	212,417	\$	212,417
RX Administration						\$	-	\$	-
Plan Administration						\$	266,123	\$	266,123
Total Expenses						\$	13,942,509	\$	13,942,509
Net Income/(Loss)						\$	9,844,180	\$	9,844,180
BALANCE SHEET									
Assets									
Bank Account								\$	14,029,194
State Treasury								\$	71,138,556
Due from Cafeteria Plan								\$	709,521
Due from PSE								\$	-
Receivable from Provider								\$	-
Accounts Receivable								\$	1,103,435
Total Assets								\$	86,980,705
Liabilities									
Accounts Payable								\$	3,758
Deferred Revenues								\$	-
Due to Cafeteria								\$	-
Due to PSE								\$	-
Due to Federal Government (\$44 fee)								\$	-
Health IBNR								\$	24,700,000
RX IBNR								\$	1,800,000
Total Liabilities								\$	26,503,758
Net Assets								\$	60,476,948
Less Reserves Allocated									
Premiums for Plan Year 1/1/15 - 12/31/15 (\$6,260,000 + \$5,400,000)								\$	(10,688,333)
Premiums for Plan Year 1/1/16 - 12/31/16 (\$3,600,000)								\$	(3,600,000)
Catastrophic Reserve (2015 \$10,400,000)								\$	(10,400,000)
Net Assets Available								\$	35,788,614

Fifth Week of Claims \$

Arkansas State Employees (ASE) Financials - January 1, 2016 through January 31, 2016									
BASIC CLASSIC PREMIUM PRIMARY TOTAL	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
	1219	27		1246		2048	44		2092
	1682	63		1745		2840	87		2927
	23668	2187		25855		41275	2815		44090
		216	9068	9284			442	11871	12313
	26569	2493	9068	38130		46163	3388	11871	61422

REVENUES & EXPENDITURES

	Current Month	Year to Date (1 Month)
Funding		
1 State Contribution	\$ 14,693,140	\$ 14,693,140
2 Employee Contribution	\$ 8,013,194	\$ 8,013,194
3 Other	\$ 442,236	\$ 442,236
4 Allocation of Reserves	\$ 1,350,000	\$ 1,350,000
Total Funding	\$ 24,498,570	\$ 24,498,570
Expenses		
Medical Expenses		
5 Claims Expense	\$ 12,272,381	\$ 12,272,381
6 Claims IBNR	\$ -	\$ -
7 Medical Administration Fees	\$ 1,087,685	\$ 1,087,685
8 Refunds	\$ -	\$ -
9 Employee Assistance Program (EAP)	\$ 55,294	\$ 55,294
10 Life Insurance	\$ 79,358	\$ 79,358
Pharmacy Expenses		
11 RX Claims	\$ 5,990,996	\$ 5,990,996
12 RX IBNR	\$ -	\$ -
13 RX Administration	\$ 209,156	\$ 209,156
14 Plan Administration	\$ 373,285	\$ 373,285
Total Expenses	\$ 20,068,155	\$ 20,068,155
15 Net Income/(Loss)	\$ 4,430,415	\$ 4,430,415

BALANCE SHEET

Assets	
16 Bank Account	\$ 5,044,799
17 State Treasury	\$ 86,344,051
18 Due from Cafeteria Plan	\$ 5,195,886
19 Due from PSE	\$ -
20 Receivable from Provider	\$ -
21 Accounts Receivable	\$ 395,805
Total Assets	\$ 96,980,542
Liabilities	
22 Accounts Payable	\$ 654
23 Deferred Revenues	\$ -
24 Due to Cafeteria	\$ -
25 Due to PSE	\$ -
26 Due to Federal Government (\$44 fee)	\$ -
27 Health IBNR	\$ 24,700,000
28 RX IBNR	\$ 1,800,000
Total Liabilities	\$ 26,500,654
Net Assets	\$ 70,479,888
Less Reserves Allocated	
29 Premiums for Plan Year 1/1/16 - 12/31/16 (\$3,600,000 + \$12,600,000)	\$ (14,850,000)
30 Premiums for Plan Year 1/1/17 - 12/31/17 (\$7,560,000)	\$ (7,560,000)
31 Premiums for Plan Year 1/1/18 - 12/31/18 (\$5,040,000)	\$ (5,040,000)
32 Catastrophic Reserve (2016 \$10,700,000)	\$ (10,700,000)
33 Net Assets Available	\$ 32,329,888
34 Fifth Week of Claims \$	

Public School Employees (PSE) Financials - January 1, 2015 through January 31, 2015

BASIC CLASSIC PREMIUM PRIMARY TOTAL	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
	2324	130		2454		3446	153		3599
	21544	1614		23158		39500	1970		41470
	20959	1407		22366		26849	1516		28365
		117	9788	9905			236	10717	10953
	44827	3268	9788	57883		69795	3875	10717	84387

REVENUES & EXPENDITURES

	Current Month	Year to Date (1 Month)
Funding		
Per Participating Employee Funding (PPE Funding)	\$ 8,253,023	\$ 8,253,023
Employee Contribution	\$ 9,249,102	\$ 9,249,102
Department of Education \$35,000,000 & \$15,000,000	\$ 6,931,818	\$ 6,931,818
Other	\$ 485,365	\$ 485,365
Allocation for Actives	\$ 1,666,667	\$ 1,666,667
Total Funding	\$ 26,585,974	\$ 26,585,974
Expenses		
Medical Expenses		
Claims Expense	\$ 8,784,181	\$ 8,784,181
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,545,589	\$ 1,545,589
Refunds	\$ (3,153)	\$ (3,153)
Employee Assistance Program (EAP)	\$ 77,611	\$ 77,611
Pharmacy Expenses		
RX Claims	\$ 3,439,718	\$ 3,439,718
RX IBNR	\$ -	\$ -
RX Administration	\$ 289,680	\$ 289,680
Plan Administration	\$ 400,130	\$ 400,130
Total Expenses	\$ 14,533,757	\$ 14,533,757
Net Income/(Loss)	\$ 12,052,217	\$ 12,052,217

BALANCE SHEET

Assets	
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Bank Account	\$	15,645,653
State Treasury	\$	62,232,888
Receivable from Provider	\$	-
Accounts Receivable	\$	7,901,011
Due to ASE	\$	-
Total Assets	\$	85,779,552

Liabilities

Accounts Payable	\$ 875
Due to ASE	\$ -
Deferred Revenues	\$ -
Due to Federal Government (\$44 fee)	\$ -
Health IBNR	\$ 28,000,000
RX IBNR	\$ 1,400,000
Total Liabilities	\$ 29,400,875

Net Assets	\$ 56,378,677
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Less Reserves Allocated	
Premiums for Plan Year 1/1/15 - 12/31/15 (\$20,000,000 rec'd from Dept. of Education)	\$ (18,333,333)
Premium Assistance (FICA Savings)	\$ (473,769.10)
Catastrophic Reserve (2015 \$10,900,000)	\$ (10,900,000)
Net Assets Available	\$ 26,671,575

Fifth Week of Claims \$

BASIC CLASSIC PREMIUM PRIMARY TOTAL	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
	3188	236		3424		4765	298		5063
	21996	1906		23902		40774	2307		43081
	19713	1047		20760		25411	1124		26535
		87	10603	10690			174	11578	11752
	44897	3276	10603	58776		70950	3903	11578	86431

	Current	Year-to-Date
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	Current	Year to Date
Funding	Month	(1 Month)
Per Participating Employee Funding (PPE Funding)	\$ 8,182,661	\$ 8,182,661
Employee Contribution	\$ 9,346,237	\$ 9,346,237
Department of Education \$35,000,000 & \$15,000,000 & Other Funding	\$ 6,931,818	\$ 6,931,818
Other	\$ 505,583	\$ 505,583
Allocation of Reserves	\$ 3,975,000	\$ 3,975,000
Total Funding	\$ 28,941,299	\$ 28,941,299
Expenses		
Medical Expenses		
Claims Expense	\$ 15,828,303	\$ 15,828,303
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,635,678	\$ 1,635,678
Refunds	\$ -	\$ -
Employee Assistance Program (EAP)	\$ 77,584	\$ 77,584
Pharmacy Expenses		
RX Claims	\$ 3,530,417	\$ 3,530,417
RX IBNR	\$ -	\$ -
RX Administration	\$ 301,095	\$ 301,095
Plan Administration	\$ 562,824	\$ 562,824
Total Expenses	\$ 21,935,901	\$ 21,935,901
Net Income/(Loss)	\$ 7,005,399	\$ 7,005,399

Assets

Bank Account	\$ 20,706,282
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Bank Account	\$ 20,700,282
State Treasury	\$ 108,843,527
Receivable from Provider	\$ -
Accounts Receivable	\$ 5,587,585
Due from ASE	\$ -
Total Assets	\$ 135,137,393

Accounts Payable	€	360
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Accounts Payable	\$	309
Due to ASE	\$	-
Deferred Revenues	\$	-
Due to Federal Government (\$44 fee)	\$	-
Health IBNR	\$	28,000,000
RX IBNR	\$	1,400,000
Total Liabilities	\$	29,400,369

Premiums for Plan Year 1/1/16 - 12/31/16 (\$0.500,000 + \$20,000,000 DOE + 18,100,000 DOE)	\$ (42,725,000)
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Premiums for Plan Year 1/1/16 - 12/31/16 (\$9,600,000 + \$20,000,000 DOE + 18,100,000 DOE)	\$ (43,725,000)
Premiums for Plan Year 1/1/17 - 12/31/17 (\$5,760,000)	\$ (5,760,000)
Premiums for Plan Year 1/1/18 - 12/31/18 (\$3,840,000)	\$ (3,840,000)
Premium Assistance (FICA Savings)	\$ (490,260)
Catastrophic Reserve (2016 \$10,500,000)	\$ (10,500,000)
Net Assets Available	\$ 41,421,764

[illegible]



State and Public School Life and Health Insurance Board Drug Utilization and Evaluation Committee Report

The following report resulted from a meeting of the DUEC on February 1, 2016 with Dr. Hank Simmons presiding.

I. Recommended Changes to Current Coverage

A. Delivery Coordination Workgroup Report: *by Dr. Geri Bemberg, UAMS*

Drugs used in the treatment of cancers and non-cancer drugs were reviewed by the DCWG and a report made to the DUEC on February 1st. Recommendations from this report are outlined below.

Metastatic Melanoma	Current Coverage	Proposed Coverage for 2015
Cobimetinib (Cotellic) with/ Vemurafenib (Zelboraf)	Cobimetinib – Exclude Vemurafenib – T4PA	Cobimetinib – T4PA Vemurafenib – T4PA
<u>Squamous-Cell NSCLC</u> Nivolumab (Opdivo)	Covered, Medical PA	<u>For this indication:</u> 1) Continue covering <u>OR</u> 2) Exclude for this indication due to drug being deemed “clinically effective, but not cost effective” by NICE.

The Committee recommends the following: (1) Table the drug Nivolumab until the next meeting and (2) Request the Board review concepts regarding cost effectiveness and its role in the decision making about coverage.

B. Clarification from October 2015 meeting: *by Drs. Geri Bemberg & Jill Johnson, UAMS*

Dr. Bemberg reported on a previous discussion of covering **Zetia (ezetimibe)**, a cholesterol absorption inhibitor, on Tier 3, PA. Should **Vytorin (ezetimibe/simvastatin)** be covered? Dr. Pace reported Zetia will become generic in 2016 and that Vytorin will not. **The Committee recommends revisiting the discussion when Zetia becomes generic and requests the Board’s decision.**

C. DESI Drug Review: *by Dr. David Keisner, UAMS*

Dr. Keisner reported that a DESI drugs is “one that the FDA has determined to be safe, but not effective.” Drug Efficacy Study Implementation (DESI) classifies all pre-1962 drugs as effective, ineffective, or needing further study. The Kefauver-Harris Drug Control Act requires all drugs to be efficacious in addition to being safe. There are 42 DESI drugs currently covered under the plan. However, the plan has obtained a new pharmacy vendor, MedImpact. The new vendor has DESI drugs classified as excluded. Dr. Keisner would like a recommendation from the committee to cover or exclude. **The Committee recommends exclusion.**

D. Topical Local Anesthetics: *by Dr. Geri Bemberg, UAMS*

Dr. Bemberg reported on the topical anesthetics. A single GPI or Generic Product Identifier number covers all lidocaine topical local anesthetics. At this time, all new GPIs are reviewed as new drugs. However, beginning in early 2015 new products began to be released under existing, generic GPIs. Such drugs are really new brands or “branded generics” that sometimes have new indications. Thus, they enter the market under a GPI already usually assigned to a brand that has either been discontinued or is a current generic. As such, they have not been identified to the Plan as new drugs and have thereby slipped through the cracks. Almost every time these new brands lack significant evidence and would not have originally been covered by the Plan. The GPIs associated with Lidocaine/Menthol Patch 4 -1% and Capsaicin/Menthol Patch 0.0375-5% are the main repeat offenders. Fortunately, there were only two users in the 4th quarter of 2015.

The Committee recommends exclusion of these GPIs.

E. 2nd Review of Drugs *by Dr. Jill Johnson, UAMS*

- 1) Envarus XR – tacrolimus extended-release tablets – Recommendation: Value proposition for the product is convenience of daily dosing and potential for decreased adverse events related to kinetics of BID dosing. However, discontinuation secondary to adverse events does not support this proposition. **Committee recommends exclusions alongside Astagraf XL.**
- 2) Empagliflozin (Jardiance) – Used as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus (noninsulin dependent) as monotherapy or combination therapy. **Proposal: Cover empagliflozin by covering; Jardiance- (empagliflozin 10mg or 25mg daily), Synjardy- (empagliflozin 5mg/metformin 500mg, 5/1000, 12.5/500, 12.5/1000, given BID), continue to exclude Glyxambi (empagliflozin and linagliptin) with PA criteria.**
- 3) Evolocumab (Repatha) and Alirocumab (Praluent) – The Insurance Board voted 11/17/2015 to exclude the drugs as recommended by DUEC. At the request of Dr. Andrew Kumpuris, DUEC re-evaluated the class. Again, it remains without clinical outcome data from current trials that are not due to be complete until 2017. **The Committee recommends continuation of the current policy and reevaluation when new data becomes available.**

II. NEW DRUGS

Johnson reported on new drugs. The review covered products released October 12, 2015 – January 4, 2016. The Committee’s recommendations follow:

A. Recommended Additions

1. Nonspecialty medications-proposed additions

BRAND NAME	GENERIC NAME	PRICING (AWP)	INDICATION	SIMILAR THERAPIES ON FORMULARY/AWP	DUEC VOTE
Spiriva Aer Respiat 1.25mg	Tiotropium inhal aerosol	\$378/inhaler	Asthma in patients 12 & older	Other Spiriva strengths at T2	Tier 2
Tolak	Fluorouracil Cream 4%	\$180/40mg tube	For actinic keratosis	Fluorouracil cream 5% = \$247/40gm	Cover, tier TBD.
Varubi tabs 50mg	Rolapitant 90mg tab	\$636/2-90mg t	Chemotherapy induced nausea	Cover as same tier as Emend (T2)	Tier 2

Narcan Spray	Nalozone HCl nasal spray 4mg/0.1ml	\$150/box of 2 spray bottles of 4mg/0.1ml	For opiate agonist overdose and opiate agonist induced respiratory depression		Tier 3,QL 1/31d
Pradaxa cap 110mg	Dabigatran 110mg	\$6.67/cap	Line extension. Anticoagulant.	Pradaxa currently T2	Tier 2
2.Specialty medications-proposed additions					
BRAND NAME	GENERIC NAME	PRICING (AWP)	INDICATION	SIMILAR THERAPIES ON FORMULARY/AWP	DUEC VOTE
Genvoya	Elvitegra V-cobic-emtricitab-tenofov AF tab	\$3,090/30 tabs	HIV infection		Tier 4
Nucala Injection	Mepolizumab inj	\$3,000/100mg	Add-on maintenance treatment of patients w/severe asthma. 100mg SQ injection every 4 weeks.		Tier 4 same as omalizumab
Gleostine caps 5mg	Lomustine 5mg	\$125/5mg	Line-extension. For treatment of Hodgkin's disease, malignant glioma		T3QL of 1/qGW
Empliciti	Elotizumab IV solution	\$2,841/400mg cap-dose varies	Treatment of multiple myeloma		T4 PA
Adynovate inj	Antihemophilic factor recom pegylated	\$2.38/unit	Antihemophilic factor		T4PA Dx of Hemophilla
Coagadex	Coagulation Factor X human	\$9.29/unit	Coagulation factor		T4PA (handout)

B. Recommended Exclusions

1. Nonspecialty Medications-proposed exclusion

BRAND NAME	GENERIC NAME	PRICING (AWP)	INDICATION	SIMILAR THERAPIES ON FORMULARY/AWP	EXCLUSION CODE
Durlaza Cap 162mg	Aspirin SR 24hr	\$216/30	24 our extended release aspirin for the prevention of stroke/acute cardiac events	Aspirin covered at 100%	Exclude code 13
Keveyis tabs 50mg	Dichlorphenamide 50mg tab	\$163.80/tab dose=100-200mg/day	Primary hyperkalemic periodic paralysis, and related variants. Max dose=200mg/day		Exclude code 13
Hygel Gel 2.5%	Hyaluronate sodium gel 2.5%	\$45/10 gm	Protects skin ulcers, burns or wounds from irritation		Exclude. Alternate is Bionect
Restora Spri Pak	Lactobacillus-folic acid	\$28.84/28 packets	Antidiarrheal (line extension)		Exclude code 13
Tresiba Flex	Insullin degludec pen injector	\$106/3ml pen 100u/ml.	Long acting basal Insulin – Type 1 and		Exclude code 13

		\$213/3ml pen 200u/ml	Type 2 diabetes		
Seebri neoha Cap	Glycopyrrolate inhal cap	\$357/1 inhaler 60 caps	Long-term, maintenance treatment of airflow obstruction inpatients w/COPD		Exclude & negotiate for lowest net cost
Utibron Cap Neohaler	Indacaterol- glycopyrrolate inhal caps	\$357/1 inhaler 60 caps	Dual Combination bronchodilator for patients w/COPD		Exclude code 13
Belbuca	Buprenorphine HCl buccal film	\$306- \$758/box of 60	Treatment of moderate-severe pain, opiate dependence/withdra wal		Exclude code 13
Vivlodex Caps	Meloxicam 5 7 10mg caps	\$23.76/cap	Treatment of Osteoarthritis pain	Generic meloxicam available in 7.5 & 15mg tabs	Exclude code 13
Veltasa Powder	Patiromer sorbitex calcium for suspension packet	\$714/box of 30-25.2g	Treatment of hyperkalemia		Exclude code 13
Renovo Lido5 Cream	Capsaicin-lidociane- menthol cream	\$720/60gm tube	Topical anesthetic and analgesic indicated for the relief of pain related to minor cuts, grazes, and irritation	Capsaicin 0.25% cream= \$18/45gm AWP Lidociane 5% cream=\$43/30gm AWP	Exclude, OTC Alternative.

2. Specialty Medications-proposed exclusions

BRAND NAME	GENERIC NAME	PRICING (AWP)	INDICATION	SIMILAR THERAPIES ON FORMULARY/AWP	EXCLUSION CODE
Aristada	Aripiprazole IM ER prefilled syringe	\$1265/441mg; \$898/662mg; \$2528/882mg	Abilify Maintena (monthly extended release IM)-Invega Sustenna, Invega Irinz-T4		Exclude code 13
Odomzo caps	Sonidegib phosphate cap 200mg	\$12,060/30 daps. Dose=200mg/ day	Treatment of adult patients with locally advanced basal cell carcinoma that has recurred following surgery or radiation therapy, or those who are not a candidate for surgery or datiation therapy. Dose=200mg/day		Exclude code 1
Lonsurg	Trifluridine-tipiracil tabs	\$9,840/60- 20mg	Treatment of colorectal cancer. Dose=160mg		Exclude code 1
Onivyde	Irinotecan liposome IV inj	NA	For pancreatic cancer-out of scope of PBM services		Exclude
Yondelis inj	Trabectedin for inj	NA	For soft tissue sarcoma-out of scope of PBM services		Exclude code 1
Stransiq Inj	Asfotase alfa	\$6720/mg- dose varies	Subcutaneous injection for treatment of hypophosphatasia		Exclude, reevaluate after 04/16
Imlygix Injection	Talimogene laheparepec intralesional inj	\$5,280/vial- out of schpe of pharmacy	Malignant melanoma		Exclude

		benefits			
Darzalex	Daratumumab IV soln	\$2,160/400mg Dose varies. Out of scope of pharmacy benefits	FDA designated orphan drug for treatment of multiple myeloma in patients who have received at least 3 prior lines of therapy including a proteasome inhibitor and an immunomodulatory agent or who are double-refractory to a PI and an immunomodulatory agent		Exclude code 1
Tagrisso	Osimertinib tabs	\$15,300/30- 80mg tabs	Treatment of metastatic EGFR T790M mutation positive non-small cell lung cancer, after progression on or after EGFR tyrosine kinase inhibitor therapy		Exclude code 1
Ninlaro Caps	Ixazomib	\$3,468/4mg cap-dose varies	Treatment of multiple myeloma		Exclude. FDA to work out issues wit statistical discrepanci es.
Ferriprox Soln	Deferiprone solution	\$5,435/500ml bottle	Transfusional iron overload		Exclude code 13
Alecensa 150mg caps	Alectinib 150mg caps	\$14,791/240- 150mg caps. Dose=600mg	Treatment of non-small cell lung cancer		Exclude code 1
Bendeka Inj	Bendamustine IV soln	\$2,788/100mg vial. Out of scope of pharmacy benefits	Treatment of chronic lymphocytic leukemia & non- Hodgkin's lymphoma		NA for pharmacy benefit. Medical
Kanuma Inj	Sebelipase Alfa IV soln	\$12,200/20mg vial. Out of scope of pharmacy benefits.	Treatment of lysosomal acid lipase deficiency		Exclude code 1
Portrazza Inj	Necitumamab IV soln	\$4,800/800mg vial. Out of scope of Pharmacy benefits	Treatment of advance squamous non-small cell lung cancer		Exclude code 1

C. New DrugsTabled for April, 2016 DUEC

Viberzi Tabs	Eluxadolone	\$1,152/60- 100mg tabs.	Treatment of irritable bowel		Table. Not yet reviewed
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		Dose=200mg/day	syndrome with diarrhea		by EBRx.
Uptravi Tabs	Selexipag Tabs	\$17,400/#60-1600mcg tabs	Treatment of pulmonary hypertension to delay disease progression and reduced risk of hospitalization.		Table. EBRx has not yet evaluated.

***New Drug Code Key:**

1	Lacks meaningful clinical endpoint data; has shown efficacy for surrogate endpoints only.
2	Drug's best support is from single arm trial data
3	No information in recognized information sources (PubMed or Drug Facts & Comparisons or Lexicomp)
4	Convenience Kit Policy - As new drugs are released to the market through Medispan, those drugs described as "kits will not be considered for inclusion in the plan and will therefore be excluded products unless the product is available solely as a kit. Kits typically contain, in addition to a pre-packaged quantity of the featured drug(s), items that may be associated with the administration of the drug (rubber gloves, sponges, etc.) and/or additional convenience items (lotion, skin cleanser, etc.). In most cases, the cost of the "kit" is greater than the individual items purchased separately.
5	Medical Food Policy - Medical foods will be excluded from the plan unless two sources of peer-reviewed, published medical literature supports the use in reducing a medically necessary clinical endpoint. A medical food is defined below: A medical food, as defined in section 5(b)(3) of the Orphan Drug Act (21 U.S.C. 360ee(b)(3)), is "a food which is formulated to be consumed or administered eternally under the supervision of a physician and which is intended for the specific dietary management of a disease or condition for which distinctive nutritional requirements, based on recognized scientific principles, are established by medical evaluation." FDA considers the statutory definition of medical foods to narrowly constrain the types of products that fit within this category of food. Medical foods are distinguished from the broader category of foods for special dietary use and from foods that make health claims by the requirement that medical foods be intended to meet distinctive nutritional requirements of a disease or condition, used under medical supervision, and intended for the specific dietary management of a disease or condition. Medical foods are not those simply recommended by a physician as part of an overall diet to manage the symptoms or reduce the risk of a disease or condition, and all foods fed to sick patients are not medical foods. Instead, medical foods are foods that are specially formulated and processed (as opposed to a naturally occurring foodstuff used in a natural state) for a patient who is seriously ill or who requires use of the product as a major component of a disease or condition's specific dietary management.
6	Cough & Cold Policy - As new cough and cold products enter the market, they are often simply re-formulations or new combinations of existing products already in the marketplace. Many of these existing products are available in generic form and are relatively inexpensive. The new cough and cold products are branded products and are generally considerably more expensive than existing products. The policy of the ASE/PSE prescription drug program will be to default all new cough and cold products to "excluded" unless the DUEC determines the product offers a distinct advantage over existing products. If so determined, the product will be reviewed at the next regularly scheduled DUEC meeting.
7	Multivitamin Policy - As new vitamin products enter the market, they are often simply re-formulations or new combinations of vitamins/multivitamins in similar amounts already in the marketplace. Many of these existing products are available in generic form and are relatively inexpensive. The new vitamins are branded products and are generally considerably more expensive than existing products. The policy of the ASE/PSE prescription drug program will be to default all new vitamin/multivitamin products to "excluded" unless the DUEC determines the product offers a distinct advantage over existing products. If so determined, the product will be reviewed at the next regularly scheduled DUEC meeting.

8	Drug has limited medical benefit &/or lack of overall survival data or has overall survival data showing minimal benefit
9	Not medically necessary
10	Peer -reviewed, published cost effectiveness studies support the drug lacks value to the plan.
11	Oral Contraceptives Policy - OCs which are new to the market may be covered by the plan with a zero dollar, tier 1, 2, or 3 copay, or may be excluded. If a new-to-market OC provides an alternative product not similarly achieved by other OCs currently covered by the plan, the DUEC will consider it as a new drug. IF the drug does not offer a novel alternative or offers only the advantage of convenience, it may not be considered for inclusion in the plan.
12	Other
13	Insufficient clinical benefit OR alternative agent(s) available

IV. EBD REPORT: by Dr. Geri Bemberg, UAMS

Dr. Bemberg reported on the Top 10 Drug Categories by Plan Cost, The Top Drugs by Plan Spend and The Top 10 Drugs by Average Ingredient Cost. The Plan driver is antidiabetics, which cost the plan in 2015 \$18,067,719.00 for 122,062 prescriptions. Due to inflation the cost was \$1.8 million more than the previous year.

Connie Bennett of Optum reported that the 2015 trend was 8% per member per month. The generic dispense rate 89.6%, and the member share was 26.6%.

Respectfully submitted,

**Dr. Hank Simmons,
Chair, DUEC**



**State and Public School Life and Health Insurance Board
Quality of Care Sub-Committee Summary Report**

The following report resulted from a meeting of the Quality of Care Sub-Committee on January 12, 2016, with Margo Bushmiaer presiding.

Topics Discussed:

- Primary Care Physician Assignment
- Anesthesia For Colonoscopies
- Wellness Requirements 2016
- New Business Topics

Primary Care Physician Assignment – Laura Thompson, Manager, Blue Cross and Blue Shield

Thompson provided updated information regarding the alignment of the PCP program. Thompson reported 80% (96,293) of the plans population is assigned to a Primary Care Physician. Statewide there are approximately 122,806 members enrolled in the plan. The committee voted for the Board to adopt a process for alignment for assignment of a PCP.

Anesthesia for Colonoscopies – Dr. Creshelle Nash, Medical Director, Blue Cross and Blue Shield

Standard of care is considered conscious sedation for colonoscopies. In today's industry a vast number of clinics automatically administer Propofol for anesthesia and the cost is passed on to the member.

Dr. Nash reported one of the main concerns is general anesthesia and the current guidelines. The death rate for colorectal cancer in Arkansas is higher than national averages. Colorectal Cancer is the 3rd most common cancer in men and women.

The committee requested information regarding the clinics identity, their locations, and how many procedures are performed for the members. Dr. Nash reported some of the locations include Little Rock, Hot Springs, and Fort Smith. A detailed report will be provided at the March, 2016 meeting.

Wellness Requirements 2016 – Janna Keathley, EBD Quality Assurance Officer

Keathley reported the Wellness program began in 2014. The ARBenefits Well program encourages members to have an annual exam with a provider. The goal is to establish a relationship with a provider and potentially reduce ER visits.

The committee requested additional information on wellness programs and their incentives from UAMS, AFMC, Nabholz, Children's Hospital, and Windstream.

New Business Topics – Lori Eden, EBD Deputy Director, Dr. Joseph Thompson, Director ACHI

Eden requested additional information regarding the upcoming case management RFP. Dr. Thompson reported ACHI and EBD will meet to discuss the various options for case management, the RFP process, and provide guidance to the Board.



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 on February 5, 2016, with Jeff Altemus presiding.

Topics Discussed:

- Introduction of New Committee Members
- ASE/PSE 2015 Plan Year Financials
- Wage Works FSA/HSA Presentation
- HSA Funding for ASE Overview/PSE Opportunity

Introduction of New Committee Members – Jeff Altemus, Chairman

Altemus introduced two new Sub-committee members; Ronnie Kissire, Ouachita School District, and Susan Gardner, Arkansas Development Finance Authority.

ASE/PSE 2015 Plan Year Financials – Marla Wallace, EBD Fiscal Officer

Wallace reported financial information for the months of November and December, 2015. Please see the attached ASE/PSE Financial information.

Wage Works FSA/HSA Presentation – Amanda Ramirez, Implementation Manager

Ramirez provided an overview of the services being offered to ASE & PSE Employees. Services include:

- Arkansas State Employees
 - o Health Care FSA
 - o Dependent Care FSA
 - o Health Savings Account
- Public School Employees
 - o Health Savings Account

HSA Funding for ASE Overview/PSE Opportunity – Lori Eden, EBD Deputy Director

Eden reported on the possibility of funding the Public School Employees HSA's. The cost to fund a PSE contribution could be as much as \$11 million for the current enrollment; \$25.00 for individual and \$50.00 for family.

For ASE, the 2015 the cost was \$919,000.

Pharmacy Network Rates for 2016 PBM Implementation

February 16, 2016

John Colberg, FSA, EA, MAAA

Gaelle Gravot, FSA, MAAA



- Proposal (RFP) for Pharmacy
- Preliminary Rates
- Estimated Savings
- Future Considerations

Appendices

- From October 2015 Board meeting
- Disclosures

EBRx drafted a Request for Proposal (RFP) for Pharmacy Benefits Manager (PBM)



- As part of the RFP process, bidders were required to reprice all drug claims from January through March 2015
- Cheiron evaluated bidder repricing
- The bidder with the lowest reprice was awarded points (that combined with the technical proposal and admin fees) counted towards overall winner's score

Network Pricing Requirements



- Vendor must have a full pass-through Arkansas-based network with 95% of Arkansas pharmacy providers included; and, at least 50,000 pharmacies participating nationwide
- Vendor must follow all applicable state and federal laws
- EBD/EBD board is the sole determiner of Network reimbursement and shall have final determination on all drug pricing

Preliminary Rates



- Brand: $\text{AWP} - 15.65\% + \$1.50 \text{ Dispensing Fee}$
 - (Current= $\text{AWP} - 10\% + \$3.50$)
- Specialty: $\text{AWP} - 15.65\% + \$1.50 \text{ Dispensing Fee}$
 - (Current= $\text{AWP} - 10\% + \$3.50$)
- Generic: Lesser of $\text{AWP} - 15.65\%$ or $\text{MAC} + \$1.50$
 - (Current= $\text{MAC} + \$4.50$)

*No specialty restrictions for in-network Arkansas pharmacies, rates will not vary between any in-network pharmacy.

Estimated Annual Claims Savings



- Total savings= \$16 million
 - Split about evenly between member and plan (about \$8 million each)
 - Plan savings about \$6 million for ASE and \$2 million for PSE
- Savings estimated from repricing 2015 actual pharmacy claims
 - Sensitive to time period used; MAC lists; and, discounts off AWP by drug
 - Attempted to be conservative with estimate

EBD Savings in PBM Administration fees



- Current yearly admin fees= ~\$5 million
- Yearly fees with new arrangement= ~ \$1.7 million

Future considerations



- EBD is currently working with The Arkansas Pharmacy Association on a Board proposal that would reinvest some of the savings for increased clinical management from Arkansas pharmacists in place of current generic incentive



Classic Values, Innovative Advice.

***Cheiron** (pronounced kē'·ron) , the immortal centaur from Greek mythology, broke away from the pack and was educated by the Gods. Cheiron became a mentor to classical Greek heroes, then sacrificed his immortality and was awarded in eternity as the constellation Sagittarius.*



Classic Values, Innovative Advice

February 16, 2016

From October 2015 Board Meeting



- **PHARMACY DISCUSSION:** *by Mark Riley, Director of Pharmacy Association*
- Riley reported on the generic incentive program. At the request of Alexander, Director of EBD, Riley is working with the advisory committee to review the generic incentive funds for better utilization needs of the program. Currently there is a 90% dispense rate, which is high. Following are some changes that can be implemented: (1) Adherence of members to continue taking their meds. There was a 25% increase and fifty (50) days increased compliance. In addition, there was a 40% decrease in members who stop taking medicines. (2) Medical Management Services – The members will have access to additional information about the multiple medicines they are taking at that time. (3) Pharmacy will be involved in transition care in terms prescriptions, and readmissions should decrease. (4) Report cards will be generated that will rate the pharmacy. The rating could affect the amount of incentive that will be received. The current incentive rate is \$2.00.

Disclosures



Claims savings are based on Calendar Year 2015 claim experience, paid through January 2016. Each drug's was assumed to have an ingredient cost of AWP -15.65% for brand/specialty and the lesser of AWP-15.65% or MAC for generics. The participant's cost for Classic and Basic plans was assumed to be in proportion to the participant's actual 2015 portion of the drug.

In preparing the information in this presentation, we relied 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, claims data, EBD administrative savings, and MAC lists. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Cheiron's analysis was prepared exclusively for the Employee Benefits Division of the State of Arkansas for the specific purpose of evaluating the impact of the new PBM contract for the Arkansas State and Public School Life and Health Insurance Board. Our analysis is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

John Colberg, FSA, EA, MAAA
Principal Consulting Actuary

Gaelle Gravot, FSA, MAAA
Principal Consulting Actuary

Arkansas Public School Employees (PSE)

**Monitoring Report
Through December 31, 2015**

**Presented on
February 16, 2016**

**John L. Colberg, FSA, MAAA
Gaelle Gravot, FSA, MAAA**

Table of Contents

<u>Section</u>	<u>Page</u>
I. Comments	2
II. Total Plan Experience	3
III. Sources of Gain / (Loss)	5
IV. Enrollment	6
V. Claims & Expenses by Month	8
VI. Large Claims Report	9
 APPENDICES	
A. Contribution Rates	10
B. Summary of Plan or Policy Changes	14
C. Provider Contract Summary	16
D. Reserve Details	17
E. Incurred Claims by Vendor and Plan	18
F. Definitions & Methods	19

Comments

- Assets increased significantly in 2015 primarily due to claims being well below projected and income well above projection, finishing the year with almost \$35 million in net assets available.
- After adjusting for enrollment differences, medical claims in 2015 were still well below projected while pharmacy claims were only slightly below projected.
- Enrollment in 2015 was higher than projected for actives with fewer spouses than projected. Classic has the most enrollees; however, more participants enrolled in Premium than projected and fewer in Basic. Fewer non-Medicare retirees enrolled than assumed, while the number of Medicare retirees was close to projected.
- January 2016 enrollment shows a stable enrollment over 2015 with a slight shift from Premium to Basic for actives, and a slight increase in the number of retirees enrolled.
- Updated enrollment experience should result in approximately a \$5 million gain for 2016, if all other factors are equal to our projections. (The potential impact of a change in PBM is not reflected in the report.)

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

Total Plan Experience

Principal Results (\$ millions)	Plan Year 2015		Plan Year 2016	
	- 1/1/2015 - 12/31/2015 -		- 1/1/2016 - 12/31/2016 -	
	Actual	Projected ¹	Updated Proj. ²	Projected ¹
ACCOUNTING BASIS				
State Contributions	\$ 66.3	\$ 65.6	\$ 50.0	\$ 50.0
Minimum District Contributions ³	81.3	78.3	81.5	82.0
Participant Contributions ⁴	125.7	120.8	124.5	128.3
Reserve Allocation	-	-	9.6	9.6
Other Income ⁵	7.5	1.0	6.6	6.6
Allocation from Prior Year	20.0	21.0	38.1	37.1
TOTAL INCOME	\$ 300.8	\$ 286.7	\$ 310.3	\$ 313.6
Claims Paid + IBNR Change ⁶	(230.7)	(259.5)	(273.4)	(282.0)
Expenses	(31.5)	(27.0)	(31.5)	(31.6)
TOTAL EXPENDITURES	\$ (262.2)	\$ (286.5)	\$ (304.9)	\$ (313.6)
NET PLAN GAIN / (LOSS)	\$ 38.6	\$ 0.2	\$ 5.4	\$ -
INCURRED BASIS				
TOTAL INCOME	\$ 300.8	\$ 286.7	\$ 310.3	\$ 313.6
Claims Incurred	(232.0)	(259.5)	(273.4)	(282.0)
Expenses	(31.5)	(27.0)	(31.5)	(31.6)
TOTAL EXPENDITURES INCURRED	\$ (263.5)	\$ (286.5)	\$ (304.9)	\$ (313.6)
NET CHANGE	\$ 37.4	\$ 0.2	\$ 5.4	\$ -
PLAN ASSETS (END OF YEAR)				
Net Assets (Prior to IBNR)	\$ 132.1	\$ 62.3	\$ 89.8	\$ 60.4
IBNR Reserve	(29.4)	(28.0)	(29.4)	(29.4)
Reserve for Future Premiums	(57.3)	(21.0)	(9.6)	(9.6)
Transitional Reinsurance	-	(3.0)	-	-
Catastrophic Reserve	(10.9)	(10.3)	(10.9)	(10.9)
NET ASSETS AVAILABLE	\$ 34.5	\$ -	\$ 39.9	\$ 10.5
ENROLLMENT				
Active Employees (includes COBRA)	44,296	42,665	43,969	44,235
Retirees	13,407	14,162	14,328	14,418
TOTAL ENROLLED	57,702	56,827	58,297	58,653
TOTAL INCOME PEPM	\$ 434	\$ 420	\$ 444	\$ 446
TOTAL EXPENDITURES PEPM	\$ (380)	\$ (420)	\$ (436)	\$ (446)

¹ Projections are those done when setting the rates for the applicable plan year.

² Updated Projections reflect updated participant count and asset information.

³ District contributions are set to \$153 per employee for 2015, and \$154.48 per employee for 2016.

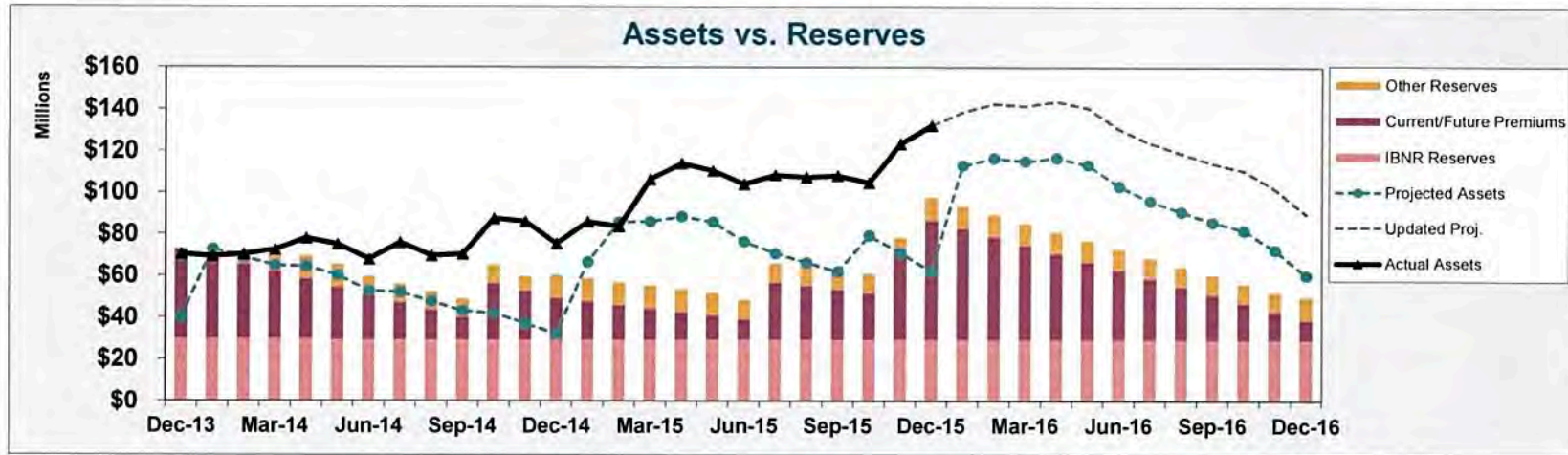
⁴ Includes school district contributions in excess of \$153 / \$154.48 per active employee.

⁵ Excludes other income that is allocable to future years, includes FICA savings.

⁶ The IBNR change reflects only the June 30 modification shown on the financial statements.

Total Plan Experience

The chart below shows the Plan's assets (solid line) compared to projected assets (dotted lines) and target reserve levels (bars). Projected assets represent the projections used to set the rates. The updated projections reflect asset experience and participant changes since those rates were set (in June 2015). The average cost per rating tier has not been updated, and the potential impact of a change in PBM is not reflected.



(In Millions \$)

	As of	12/31/2013	12/31/2014	12/31/2015	Updated Proj. 12/31/2016
Net Assets before IBNR	\$	70.3	\$ 75.4	\$ 132.1	\$ 89.8
IBNR Reserve		(29.8)	(29.4)	(29.4)	(29.4)
Reserve for Current and Future Premiums		(43.0)	(20.0)	(57.3)	(9.6)
Catastrophic Reserve		-	(11.1)	(10.9)	(10.9)
Transitional Reinsurance		-	-	-	-
Net Assets Available	\$	(2.5)	\$ 14.9	\$ 34.5	\$ 39.9
Projected Assets	\$	40.5	\$ 32.2	\$ 62.3	\$ 60.4
Projected IBNR Reserve		(28.5)	(29.8)	(28.0)	(29.4)
Reserve for Current and Future Premiums		(3.6)	-	(21.0)	(9.6)
Catastrophic Reserve		(8.5)	(2.4)	(10.3)	(10.9)
Transitional Reinsurance		-	-	(3.0)	-
Projected Net Assets	\$	-	\$ -	\$ -	\$ 10.5
Plan Year Ending					
Funding (including allocated reserves)	\$	296.6	\$ 315.1	\$ 300.8	\$ 310.3
Expenses		309.4	286.7	262.2	304.9
Net Income / (Loss)	\$	(12.8)	\$ 28.4	\$ 38.6	\$ 5.4
Projected Net Income / (Loss)	\$	1.7	\$ 2.2	\$ 0.2	\$ 0.0

Sources of Gain / (Loss) for Calendar Year 2015



State Contributions

Actual state contributions received differed slightly from those assumed in setting the 2015 rates.

Enrollment - Income

The impact on income due to changes in enrollment from what was projected. Includes additional District contributions due to additional enrollment (\$3.0 million) and changes in employee contribution due to differences in enrollment by plan and tier (\$4.9 million).

Enrollment - Claims

The impact on medical and pharmacy claims due to changes in enrollment from what was projected. Includes the impact due to both additional enrollment and differences in enrollment by plan and tier.

Medical Claims Experience

Medical claims experience was more favorable than projected when setting the rates.

Pharmacy Claims Experience

Pharmacy claims experience was slightly more favorable than projected when setting the rates.

Additional Other Income

Differences in investment income and other unanticipated income. The primary source of this was the FICA savings, which was not known when setting the rates.

Expenses

Plan expenses were higher than assumed when setting the rates for 2015.

Claims Payment Patterns

An estimate of unpaid incurred claims as of December 31, 2015 not reflected in the IBNR reserve.

Enrollment: Actives

Average for Calendar Year		2013	2014	2015	Projected 2015	Projected 2016	Updated Proj. 2016
Gold (2013-14) Premium (2015+)	Single	22,809	15,796	17,401	12,146	17,627	16,508
	Employee/Spouse	502	238	342	285	349	321
	Employee/Child(ren)	3,408	1,452	2,153	1,348	2,131	2,064
	Family	739	310	460	421	459	440
	Total	27,458	17,797	20,355	14,200	20,566	19,332
	Member Counts	36,555	21,660	26,194	18,284	26,389	24,921
Silver (2013-14) Classic (2015+)	Single	2,903	3,671	12,928	15,641	12,885	12,804
	Employee/Spouse	181	191	1,249	1,154	1,260	1,289
	Employee/Child(ren)	955	879	4,480	3,424	4,403	4,592
	Family	436	320	2,762	2,552	2,734	2,854
	Total	4,475	5,061	21,419	22,772	21,283	21,539
	Member Counts	7,811	7,914	39,434	37,984	39,097	40,073
Bronze (2013-14) Basic (2015+)	Single	9,232	14,382	1,945	3,910	1,839	2,367
	Employee/Spouse	1,019	1,427	119	289	111	168
	Employee/Child(ren)	2,240	3,857	224	856	213	271
	Family	2,256	3,355	233	638	224	292
	Total	14,746	23,021	2,521	5,693	2,386	3,097
	Member Counts	26,748	41,855	3,742	9,496	3,547	4,628
TOTAL	Single	34,944	33,849	32,273	31,698	32,352	31,678
	Employee/Spouse	1,702	1,857	1,709	1,728	1,720	1,778
	Employee/Child(ren)	6,602	6,187	6,857	5,629	6,746	6,927
	Family	3,431	3,985	3,456	3,611	3,417	3,586
	Total	46,679	45,878	44,296	42,665	44,235	43,969
	Member Counts	71,115	71,429	69,370	65,764	69,033	69,622

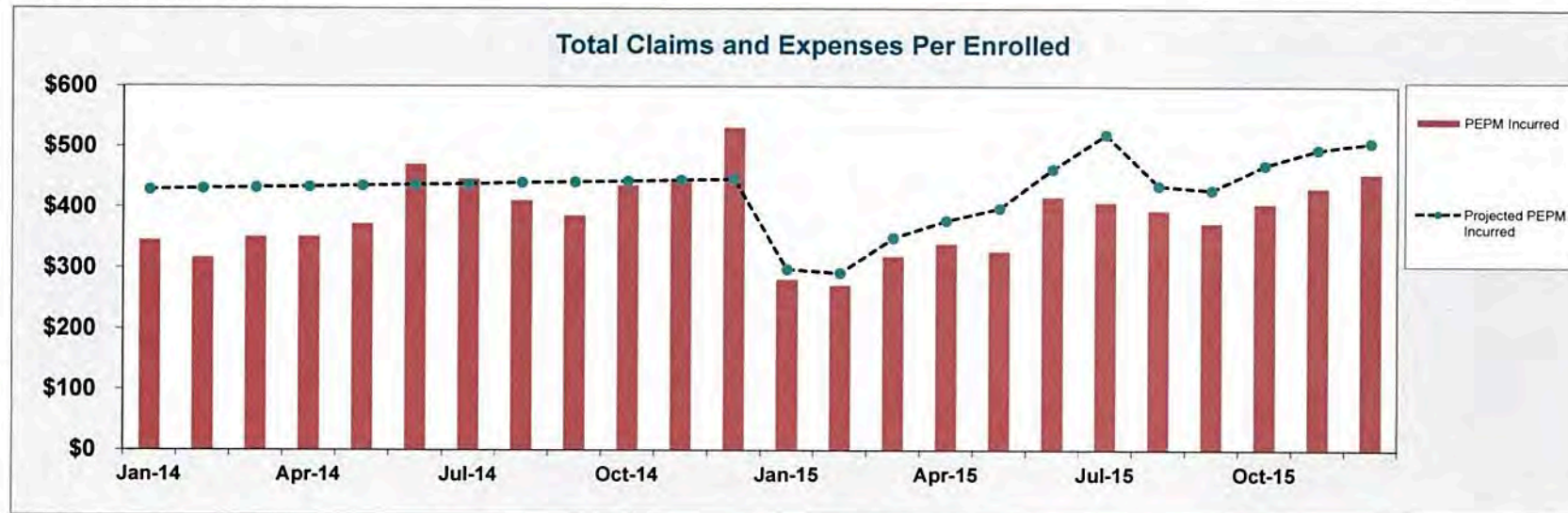
Enrollment: Retirees

Average for Calendar Year		2013	2014	2015	Projected 2015	Projected 2016	Updated Proj. 2016
Retirees Non-Medicare Eligible (NME) Gold (2013-14) Premium (2015+)	Retiree Only	1,870	1,526	1,175	2,054	1,320	1,002
	Retiree + NME Spouse	141	97	64	141	72	54
	Retiree + Child(ren)	17	13	12	21	13	11
	Retiree + NME Spouse + Child(ren)	17	12	6	15	8	4
	Retiree + ME Spouse	143	141	102	159	120	85
	Retiree + ME Spouse + Child(ren)	1	1	1	-	1	1
	Total	2,189	1,790	1,359	2,391	1,534	1,158
Silver (2013-14) Classic (2015+)	Retiree Only	45	119	1,436	1,254	1,329	1,604
	Retiree + NME Spouse	2	5	225	243	205	234
	Retiree + Child(ren)	1	2	43	33	40	44
	Retiree + NME Spouse + Child(ren)	2	1	40	41	35	47
	Total	50	128	1,744	1,571	1,610	1,930
Bronze (2013-14) Basic (2015+)	Retiree Only	665	1,079	145	139	117	194
	Retiree + NME Spouse	144	207	20	27	15	26
	Retiree + Child(ren)	20	31	5	4	1	8
	Retiree + NME Spouse + Child(ren)	34	36	5	5	3	9
	Total	862	1,353	174	175	136	237
TOTAL	NME Retirees	3,101	3,270	3,278	4,137	3,279	3,325
	NME Member Counts	3,434	3,539	3,860	4,900	1,762	3,906

Retirees Medicare Eligible (ME)	Retiree Only	7,269	8,363	9,195	9,087	10,106	9,998
	Retiree + NME Spouse	83	80	70	96	85	67
	Retiree + Child(ren)	16	18	15	17	17	15
	Retiree + NME Spouse + Child(ren)	4	3	2	1	2	2
	Retiree + ME Spouse	633	765	847	824	928	922
	Retiree + ME Spouse + Child(ren)	1	0	1	-	0	-
	Total	8,005	9,229	10,129	10,026	11,138	11,004
	ME Member Counts	8,783	10,137	11,079	11,009	12,187	12,020

Claims & Expenses by Month

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



	3/31/2014	6/30/2014	9/30/2014	12/31/2014	Prior 12 Months	3/31/2015	6/30/2015	9/30/2015	12/31/2015	Last 12 Months
Total Incurred (In Millions \$)										
Total Claims & Expenses	\$ 59.7	\$ 70.1	\$ 71.8	\$ 82.8	\$ 284.3	\$ 50.5	\$ 62.7	\$ 67.3	\$ 75.5	\$ 255.9
- Change	(21.5)	10.4	1.7	11.0	(20.0)	(32.3)	12.2	4.6	8.2	(28.4)
Projected	\$ 77.9	\$ 78.5	\$ 78.9	\$ 81.1	\$ 316.5	\$ 53.3	\$ 70.2	\$ 78.1	\$ 84.9	\$ 286.5
- Change	2.9	0.7	0.4	2.2	22.2	(27.8)	16.9	7.9	6.7	(30.0)
Actual vs. Projected	\$ (18.2)	\$ (8.5)	\$ (7.2)	\$ 1.7	\$ (32.14)	\$ (2.8)	\$ (7.5)	\$ (10.8)	\$ (9.4)	\$ (30.5)
Per Enrolled Basis										
Total Claims & Expenses	\$ 338.22	\$ 398.66	\$ 415.08	\$ 472.24	\$ 405.89	\$ 291.14	\$ 362.22	\$ 392.93	\$ 432.07	\$ 369.63
% Change	(27.1%)	17.9%	4.1%	13.8%	(7.5%)	(38.3%)	24.4%	8.5%	10.0%	(8.9%)
Projected	\$ 430.44	\$ 435.30	\$ 440.06	\$ 444.79	\$ 437.66	\$ 313.21	\$ 413.49	\$ 461.57	\$ 491.23	\$ 420.08
% Change	(2.5%)	1.1%	1.1%	1.1%	1.1%	(29.6%)	32.0%	11.6%	6.4%	(4.0%)

Large Claims Report

		Medical			Rx				
		\$100,000 - \$249,999	\$250,000 - \$999,999	\$1,000,000+	\$25,000 - \$49,999	\$50,000+	Total	Change from Prior Year	
1/1/2015-12/31/2015									
Total All Plans	Number of Claimants	120	28	-	197	120	451	24	
	Claim Amount	\$ 16,654,317	\$ 10,397,500	\$ -	\$ 6,892,593	\$ 10,863,501	\$ 44,807,912	\$ (3,264,318)	
	Average Claim	\$ 138,786	\$ 371,339	\$ -	\$ 34,988	\$ 90,529	\$ 99,352	\$ (13,229)	
Premium	Number of Claimants	75	17	-	145	93	320	29	
	Claim Amount	\$ 10,433,914	\$ 5,911,456	\$ -	\$ 5,031,771	\$ 8,684,803	\$ 30,061,945	\$ 448,369	
	Average Claim	\$ 139,119	\$ 347,733	\$ -	\$ 34,702	\$ 93,385	\$ 93,944	\$ (7,821)	
Classic	Number of Claimants	44	11	-	51	26	128	76	
	Claim Amount	\$ 6,027,176	\$ 4,486,044	\$ -	\$ 1,819,547	\$ 2,113,851	\$ 14,446,617	\$ 6,800,230	
	Average Claim	\$ 136,981	\$ 407,822	\$ -	\$ 35,677	\$ 81,302	\$ 112,864	\$ (34,182)	
Basic	Number of Claimants	1	-	-	1	1	3	(81)	
	Claim Amount	\$ 193,227	\$ -	\$ -	\$ 41,275	\$ 64,848	\$ 299,350	\$ (10,512,917)	
	Average Claim	\$ 193,227	\$ -	\$ -	\$ 41,275	\$ 64,848	\$ 99,783	\$ (28,934)	
1/1/2014-12/31/2014									
Total All Plans	Number of Claimants	139	27	1	190	88	427	19	
	Claim Amount	\$ 21,074,900	\$ 10,917,428	\$ 1,164,433	\$ 6,318,745	\$ 8,596,725	\$ 48,072,230	\$ 2,626,602	
	Average Claim	\$ 151,618	\$ 404,349	\$ 1,164,433	\$ 33,257	\$ 97,690	\$ 112,581	\$ 1,195	
Gold	Number of Claimants	84	17	-	133	66	291	(39)	
	Claim Amount	\$ 12,578,268	\$ 7,138,112	\$ -	\$ 4,440,046	\$ 5,457,150	\$ 29,613,576	\$ (4,636,824)	
	Average Claim	\$ 149,741	\$ 419,889	\$ -	\$ 33,384	\$ 82,684	\$ 101,765	\$ (2,024)	
Silver	Number of Claimants	18	3	1	21	12	52	17	
	Claim Amount	\$ 2,752,682	\$ 842,326	\$ 1,164,433	\$ 677,584	\$ 2,209,362	\$ 7,646,387	\$ 1,713,313	
	Average Claim	\$ 152,927	\$ 280,775	\$ 1,164,433	\$ 32,266	\$ 184,113	\$ 147,046	\$ (22,470)	
Bronze	Number of Claimants	37	7	-	36	10	84	41	
	Claim Amount	\$ 5,743,949	\$ 2,936,990	\$ -	\$ 1,201,115	\$ 930,213	\$ 10,812,267	\$ 5,550,113	
	Average Claim	\$ 155,242	\$ 419,570	\$ -	\$ 33,364	\$ 93,021	\$ 128,717	\$ 6,342	
1/1/2013-12/31/2013									
Total All Plans	Number of Claimants	123	27	1	182	94	408	15	
	Claim Amount	\$ 18,365,547	\$ 11,010,599	\$ 1,924,449	\$ 6,071,000	\$ 8,074,033	\$ 45,445,628	\$ (2,517,370)	
	Average Claim	\$ 149,313	\$ 407,800	\$ 1,924,449	\$ 33,357	\$ 85,894	\$ 111,386	\$ (10,657)	
Gold	Number of Claimants	86	19	1	156	83	330	(29)	
	Claim Amount	\$ 12,686,219	\$ 7,943,571	\$ 1,924,449	\$ 5,176,622	\$ 6,519,539	\$ 34,250,400	\$ (6,754,823)	
	Average Claim	\$ 147,514	\$ 418,083	\$ 1,924,449	\$ 33,183	\$ 78,549	\$ 103,789	\$ (10,432)	
Silver	Number of Claimants	13	5	-	11	8	35	30	
	Claim Amount	\$ 2,082,461	\$ 2,065,729	\$ -	\$ 396,515	\$ 1,388,368	\$ 5,933,074	\$ 4,783,910	
	Average Claim	\$ 160,189	\$ 413,146	\$ -	\$ 36,047	\$ 173,546	\$ 169,516	\$ (60,316)	
Bronze	Number of Claimants	24	3	-	15	3	43	14	
	Claim Amount	\$ 3,596,867	\$ 1,001,299	\$ -	\$ 497,862	\$ 166,126	\$ 5,262,154	\$ (546,458)	
	Average Claim	\$ 149,869	\$ 333,766	\$ -	\$ 33,191	\$ 55,375	\$ 122,376	\$ (77,921)	

Appendix A. - Contribution Rates: Actives

Calendar Year 2016

Actives	Total Monthly Premium	State Cont. Act 1842/1421 & reserves Alloc.	School District Contrib.	2016 Total EE Cost*	2015 Total EE Cost	Change in Premiums (\$/%)		Assumed Enrollment
Premium								
Employee Only	\$590.40	\$ 256.54	\$ 154.48	\$179.38	\$ 179.38	\$ -	0%	17,627
Employee & Spouse	1,308.18	340.98	154.48	812.72	812.72	-	0%	349
Employee & Child(ren)	1,077.80	463.24	154.48	460.08	460.08	-	0%	2,131
Family	1,795.58	826.18	154.48	814.92	814.92	-	0%	459
Est. Monthly Total (\$mil)	\$ 14.0	\$ 6.0	\$ 3.2	\$ 4.8	\$ 4.8	\$ -		20,566
Classic								
Employee Only	\$270.02	\$ 70.54	\$ 154.48	\$ 45.00	\$ 45.00	\$ -	0%	12,885
Employee & Spouse	562.28	61.06	154.48	346.74	346.74	-	0%	1,260
Employee & Child(ren)	468.48	159.10	154.48	154.90	154.90	-	0%	4,403
Family	760.74	255.90	154.48	350.36	350.36	-	0%	2,734
Est. Monthly Total (\$mil)	\$ 8.3	\$ 2.4	\$ 3.3	\$ 2.7	\$ 2.7	\$ -		21,283
Basic								
Employee Only	\$133.02	\$ (32.46)	\$ 154.48	\$ 11.00	\$ 11.00	\$ -	0%	1,839
Employee & Spouse	242.22	(178.98)	154.48	266.72	266.72	-	0%	111
Employee & Child(ren)	207.18	(66.46)	154.48	119.16	119.16	-	0%	213
Family	316.38	(107.60)	154.48	269.50	269.50	-	0%	224
Est. Monthly Total (\$mil)	\$ 0.4	\$ (0.1)	\$ 0.4	\$ 0.1	\$ 0.1	\$ -		2,386
Total (Monthly) (\$ mil)	\$ 22.7	\$ 8.3	\$ 6.8	\$ 7.6	\$ 7.6	\$ -		44,235
Est. Annual Total (\$ mil)	\$ 272.4	\$ 99.3	\$ 82.0	\$ 91.1	\$ 91.1	\$ -		

* Monthly Total EE Cost is \$75 higher if no wellness credit

Appendix A. - Contribution Rates: Retirees

Calendar Year 2016

Non-Medicare Eligible Retirees	Total Monthly Premium	Direct State Contributions	Reserve Used / (Added)	2016 Total Ret. Cost	2015 Total Ret. Cost	Change in Premiums (\$/%)		Assumed Enrollment
Premium								
Retiree Only	\$590.40	\$0.00	(\$50.74)	\$ 641.14	\$ 641.14	\$ -	0%	1,320
Retiree & NME SP	1,308.18	0.00	(149.00)	1,457.18	1,457.18	-	0%	72
Retiree & Child(ren)	1,077.80	0.00	(114.80)	1,192.60	1,192.60	-	0%	13
Retiree & NME SP&CH	1,795.58	0.00	(213.06)	2,008.64	2,008.64	-	0%	8
Retiree & ME SP	768.26	0.00	(26.86)	795.12	795.12	-	0%	120
Retiree & ME SP & CH	1,255.66	0.00	(90.92)	1,346.58	1,346.58	-	0%	1
Est. Monthly Total (\$mil)	\$ 1.0	\$0.00	(\$0.1)	\$ 1.1	\$ 1.1	\$ -		1,534
Classic								
Employee Only	\$270.02	\$0.00	\$2.08	\$ 267.94	\$ 267.94	\$ -	0%	1,329
Employee & Spouse	562.28	0.00	7.60	554.68	554.68	-	0%	205
Employee & Child(ren)	468.48	0.00	(1.34)	469.82	469.82	-	0%	40
Family	760.74	0.00	29.18	731.56	731.56	-	0%	35
Est. Monthly Total (\$mil)	\$ 0.5	\$0.00	\$0.0	\$ 0.5	\$ 0.51	\$ -		1,610
Basic								
Employee Only	\$133.02	\$0.00	(\$15.48)	\$ 148.50	\$ 148.50	\$ -	0%	117
Employee & Spouse	242.22	0.00	(27.50)	269.72	269.72	-	0%	15
Employee & Child(ren)	207.18	0.00	(31.34)	238.52	238.52	-	0%	1
Family	316.38	0.00	(18.36)	334.74	334.74	-	0%	3
Est. Monthly Total (\$mil)	\$ 0.0	\$0.00	\$0.00	\$ 0.0	\$ 0.0	\$ -		136
Total (Monthly) (\$ mil)	\$ 1.5	\$0.00	(\$0.1)	\$ 1.6	\$ 1.6	\$ -		3,279
Est. Annual Total (\$ mil)	\$ 18.4	\$0.00	(\$1.0)	\$ 19.4	\$ 19.4	\$ -		

ME Retirees	Total Monthly Premium	Direct State Contributions	Reserve Used / (Added)	2016 Total Ret. Cost	2015 Total Ret. Cost	Change in Premiums (\$/%)		Assumed Enrollment
Medicare Eligible								
Retiree Only	\$177.86	\$50.66	\$28.40	\$ 98.80	\$ 98.80	\$ -	0%	10,106
Retiree & NME SP	757.06	(26.86)	0.00	783.92	783.92	-	0%	85
Retiree & Child(ren)	718.76	(38.33)	0.00	757.10	757.10	-	0%	17
Retiree & NME SP&CH	1,383.03	(138.45)	0.00	1,521.48	1,521.48	-	0%	2
Retiree & ME SP	331.82	25.32	48.63	257.88	257.88	-	0%	928
Retiree & ME SP & CH	872.73	(15.84)	0.00	888.57	888.57	-	0%	0
Est. Monthly Total (\$mil)	\$ 2.2	\$0.5	\$0.3	\$1.3	\$1.3	\$0.0		\$11,138
Total (Est. Annual)	\$ 26.2	\$6.4	\$4.0	\$15.9	\$15.9	\$0.0		

Appendix A. - Contribution Rates: Actives

Calendar Year 2015

Actives	Total Monthly Premium	State Cont. Act 1842/1421 & reserves Alloc.	School District Contrib.	2015 EE Total Cost	2014 EE Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Premium					<u>2014 Silver</u>			
Employee Only	\$641.14	\$ 308.76	\$ 153.00	\$ 179.38	\$ 173.32	\$ 6.06	3%	12,146
Employee & Spouse	1,457.18	491.46	153.00	812.72	785.24	27.48	3%	285
Employee & Child(ren)	1,192.60	579.52	153.00	460.08	444.52	15.56	4%	1,348
Family	2,008.64	1,040.72	153.00	814.92	787.36	27.56	4%	421
Est. Monthly Total (\$mil)	\$ 10.7	\$ 5.1	\$ 2.2	\$ 3.4	\$ 3.3	\$ 0.1		14,200
Classic					<u>2014 Bronze</u>			
Employee Only	\$267.94	\$ 69.94	\$ 153.00	\$ 45.00	\$ 11.00	\$ 34.00	309%	15,641
Employee & Spouse	554.68	54.94	153.00	346.74	266.72	80.02	30%	1,154
Employee & Child(ren)	469.82	161.92	153.00	154.90	119.16	35.74	30%	3,424
Family	731.56	228.20	153.00	350.36	269.50	80.86	30%	2,552
Est. Monthly Total (\$mil)	\$ 8.3	\$ 2.3	\$ 3.5	\$ 2.5	\$ 1.6	\$ 1.0		22,772
Basic					<u>2014 Bronze</u>			
Employee Only	\$148.50	\$ (15.50)	\$ 153.00	\$ 11.00	\$ 11.00	\$ -	0%	3,910
Employee & Spouse	269.72	(150.00)	153.00	266.72	266.72	-	0%	289
Employee & Child(ren)	238.52	(33.64)	153.00	119.16	119.16	-	0%	856
Family	334.74	(87.76)	153.00	269.50	269.50	-	0%	638
Est. Monthly Total (\$mil)	\$ 1.1	\$ (0.2)	\$ 0.9	\$ 0.4	\$ 0.4	\$ -		5,693
Total (Monthly) (\$ mil)	\$ 20.0	\$ 7.2	\$ 6.5	\$ 6.3	\$ 5.2	\$ 1.1		42,665
Est. Annual Total (\$ mil)	\$ 240.5	\$ 86.6	\$ 78.3	\$ 75.6	\$ 62.8	\$ 12.8		

* Monthly Total EE Cost is \$75 higher if no wellness credit.

Appendix A. - Contribution Rates: Retirees

Calendar Year 2015

Non-Medicare Eligible Retirees	Total Monthly Premium	Direct State Contributions	Reserve Used / (Added)	2015 Total Ret. Cost	2014 Total Ret. Cost	Change in Premiums (\$/%)		Assumed Enrollment
Premium					<u>2014 Silver</u>			
Retiree Only	\$641.14	\$0.00	\$0.00	\$ 641.14	\$ 426.54	\$ 214.60	50%	2,054
Retiree & NME SP	1,457.18	0.00	0.00	1,457.18	1,107.40	349.78	32%	141
Retiree & Child(ren)	1,192.60	0.00	0.00	1,192.60	779.76	412.84	53%	21
Retiree & NME SP&CH	2,008.64	0.00	0.00	2,008.64	1,363.04	645.60	47%	15
Retiree & ME SP	795.12	0.00	0.00	795.12	508.22	286.90	56%	159
Retiree & ME SP & CH	1,346.58	0.00	0.00	1,346.58	861.44	485.14	56%	-
Est. Monthly Total (\$mil)	\$ 1.70	\$0.00	\$0.00	\$ 1.70	\$ 1.15	\$ 0.55		2,391
Classic					<u>2014 Bronze</u>			
Employee Only	\$267.94	\$0.00	\$0.00	\$ 267.94	\$ 267.66	\$ 0.28	0%	1,254
Employee & Spouse	554.68	0.00	0.00	554.68	600.98	(46.30)	-8%	243
Employee & Child(ren)	469.82	0.00	0.00	469.82	468.20	1.62	0%	33
Family	731.56	0.00	0.00	731.56	801.52	(69.96)	-9%	41
Est. Monthly Total (\$mil)	\$ 0.52	\$0.00	\$0.00	\$ 0.52	\$ 0.53	\$ (0.01)		1,571
Basic					<u>2014 Bronze</u>			
Employee Only	\$148.50	\$0.00	\$0.00	\$ 148.50	\$ 267.66	\$ (119.16)	-45%	139
Employee & Spouse	269.72	0.00	0.00	269.72	600.98	(331.26)	-55%	27
Employee & Child(ren)	238.52	0.00	0.00	238.52	468.20	(229.68)	-49%	4
Family	334.74	0.00	0.00	334.74	801.52	(466.78)	-58%	5
Est. Monthly Total (\$mil)	\$ 0.03	\$0.00	\$0.00	\$ 0.03	\$ 0.06	\$ (0.03)		175
Total (Monthly) (\$ mil)	\$ 2.25	\$0.00	\$0.00	\$ 2.25	\$ 1.74	\$ 0.51		4,137
Est. Annual Total (\$ mil)	\$ 27.02	\$0.00	\$0.00	\$ 27.02	\$ 20.88	\$ 6.14		

ME Retirees	Total Monthly Premium	Direct State Contributions	Reserve Used / (Added)	2015 Total Ret. Cost	2014 Total Ret. Cost	Change in Premiums (\$/%)		Assumed Enrollment
Medicare Eligible								
Retiree Only	\$153.98	\$55.18	\$0.00	\$ 98.80	\$ 81.68	\$ 17.12	21%	9,087
Retiree & NME SP	783.92	0.00	0.00	783.92	708.98	74.94	11%	96
Retiree & Child(ren)	757.10	0.00	0.00	757.10	665.66	91.44	14%	17
Retiree & NME SP&CH	1,521.48	0.00	0.00	1,521.48	1,310.62	210.86	16%	1
Retiree & ME SP	285.46	27.58	0.00	257.88	271.04	(13.16)	-5%	824
Retiree & ME SP & CH	888.57	0.00	0.00	888.57	788.44	100.13	13%	-
Est. Monthly Total (\$mil)	\$ 1.72	\$0.52	\$0.00	\$ 1.20	\$ 1.05	\$ 0.15		10,026
Total (Est. Annual)	\$ 20.70	\$6.29	\$0.00	\$ 14.41	\$ 12.56	\$ 1.84		

Appendix B. - Summary of Plan or Policy Changes

<u>Date</u>	<u>Major Change</u>
For 2016 Plan Year	Embedded Individual Medical OOP Max is applied for Classic and Basic within the family OOP Max. The individual and family OOP max amounts remain the same as in 2015.
For 2015 Plan Year	<p>Plans were renamed Premium, Classic and Basic to avoid confusion with metallic plans from Exchange</p> <p>Premium is former Gold with \$1,000/\$2,000 deductible for Individual/family, Office Visit copays at \$25/\$50 for Primary Care Physician (PCP)/Specialists, no copay on hospitalization, \$3,100/\$6,600 individual/family Out-of-Pocket (OOP) max for Rx, \$2,000/\$4,000 deductible for Out-of-Network (OON) benefits, and no OOP max for OON benefits</p> <p>Classic is former Bronze with a \$4,450/\$6,675 coinsurance OOP max, and a true OOP max (including deductible, coinsurance, copays) of \$6,450/\$9,675 for individual/family</p> <p>Classic provides no coverage for non-preferred brand drugs, and no OOP max for OON benefits</p> <p>Basic is another HSA qualified plan with a \$4,250/\$8,500 individual/family In-Network deductible, a \$2,200/\$4,400 coinsurance max, and a true OOP max of \$6,450/\$12,900</p> <p>Basic provides no coverage for non-preferred brand drugs, and no OON coverage</p> <p>Wellness credit: Active employee contributions are reduced by \$75/mo if the employee had a physical exam in the past year (new hires get the credit automatically)</p>
For 2014 Plan Year	<p>Increase Gold Plan In-Network maximum out of pocket (MOOP) to \$2,500 for individual, \$5,000 for family</p> <p>Increase Gold and Silver Plans' Office Visit copays to \$35/\$70 for Primary Care Physician (PCP)/Specialists</p> <p>Increase Gold and Silver Plans' Pharmacy copays to \$15/\$40/\$80/\$100 for Generic/Preferred Brand/Non-Preferred Brand/Specialty drugs</p> <p>Increase Gold Plan ER copay to \$250, Silver plan ER copay to \$300, Gold and Silver Plans' Ambulance copay to \$50</p> <p>Change Gold and Silver Plans' rehab cost share to \$35 copay</p> <p>Increase Silver Plan In-Network deductible to \$1,000 for individual, \$2,000 for family, maximum out of pocket to \$3,000 for individual, \$6,000 for family</p> <p>Increase Silver Plan Out-Of-Network deductible to \$2,000 for individual, \$4,000 for family, maximum out of pocket to \$8,000 for individual, \$16,000 for family</p> <p>Increase Bronze Plan In-Network deductible to \$2,000 for individual, \$3,000 for family, MOOP to \$6,350 for individual, \$9,525 for family</p> <p>Increase Bronze Plan Out-Of-Network deductible to \$4,000 for individual, \$8,000 for family, MOOP to \$12,700 for individual, \$19,000 for family</p>
For 2013 Plan Year	Women's preventive care covered at 100%
For 2012 Plan Year	<p>ARHealth plan became Gold Plan; network is only Health Advantage (Novasys no longer an option)</p> <p>HD PPO became Bronze Plan; network changed from Novasys to Health Advantage</p> <p>Silver Plan with \$25 PCP copay and \$750 deductible offered through Qualchoice</p> <p>NME Retirees eligible to elect Gold, Silver or Bronze (ME Retirees are Gold only)</p> <p>Bariatric surgery covered through pilot program</p> <p>Coverage for Autism added</p> <p>Behavioral Health changed to self-insured and integrated with Medical</p>
For 2011 Plan Year	<p>Lifetime Max for Out-of-Network (OON) changed to match the In Network's (INN) Unlimited Lifetime Maximum</p> <p>Immunizations covered at 100% for OON coverage</p> <p>Some services under Behavioral Health now do not require pre-authorization</p> <p>Intensive Out-Patient Services under Behavioral Health now require 20% member coinsurance</p> <p>\$10,000 Benefit Maximum Removed for Durable Medical Equipment / Enteral Feeding</p> <p>Hearing/Vision Screening copayment changed to \$35 OON (ARHealth), and \$35 INN & OON (ARHealth HD)</p> <p>Active and Non-Medicare experience was blended in determining the rates</p> <p>Increased credibility was given to the High Deductible Plan in determining the rates</p> <p>Child covered until age 26</p>

Summary of 2015 Benefits for AR Health (PSE)

Benefit Option Name: Last Modified: Provider Network:	Premium 1/1/2015 Health Advantage	Classic 1/1/2015 Health Advantage	Basic 1/1/2015 Health Advantage
<u>In-Network (INN) Benefits</u>			
Deductible (Individual / Family)	\$1000 / \$2000	\$2000 / \$3000 ³	\$4250 / \$8500 ³
Coinsurance	20%	20%	0%
Coinsurance limit (after Ded.) Individual/Family	\$2500 / \$5000	\$4450 / \$6675	\$2200/\$4400
Copays			
Office Visit - Primary Care (PCP)	\$25	Ded. & Coins.	Ded. & Coins.
OV - Specialist Care Provider (SCP)	\$50	Ded. & Coins.	Ded. & Coins.
Urgent Care (UC)	\$100	Ded. & Coins.	Ded. & Coins.
Emergency Room (ER) Non-admitted	\$250	Ded. & Coins.	Ded. & Coins.
Emergency Transportation-Ambulance	\$50	Ded. & Coins.	Ded. & Coins.
Hospital Facility - Inpatient & SNF (Co-pay/Admission) ⁴	\$250	Ded. & Coins.	Ded. & Coins.
Hospital Facility - Outpatient - Co-Pay ⁴	\$100	Ded. & Coins.	Ded. & Coins.
Out-of-Pocket Max (Individual / Family) ²	\$3500 / \$7000	\$6450 / \$9675 ³	\$6450 / \$12900 ³
<u>Out-of-Network (OON) Benefits</u> ¹			
Deductible (Individual / Family)	\$2000 / \$4000	\$3000 / \$6000 ³	Not Covered
Coinsurance	40%	40%	
Out-of-Pocket Max (Individual / Family) ²	Unlimited / Unlimited	Unlimited / Unlimited	
Annual Maximum INN / OON	Unlimited	Unlimited	Unlimited
<u>Prescription Drugs</u>			
Separate Deductible then the following Copays:	None	Included with Medical	Included with Medical
Retail (31 Days) - Generic/Formulary /Non-Form./ Specialty	\$15 / \$40 / \$80 / \$100		
Mail Order (93 Days) - Generic/Form. /Non-Form./Specialty	\$45 / \$120/ \$240/ \$300		
Non-Formulary Covered	Yes	No	No
Out-of-Pocket Max (Individual / Family) ²	\$3100 / \$6200	n/a / n/a	n/a / n/a
<u>Selected Detail Benefits</u>			
Psychiatry	INN: \$25 Copay; OON: Ded & Coins.	Ded & Coins.	Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical):	INN: \$25 Copay; OON: Ded. & Coins.	Ded & Coins.	Ded. & Coins.
Chiropractors	INN: \$25 Copay; OON: Ded & Coins.	Ded & Coins.	Ded. & Coins.
Non- Medicare Benefits Covered:	Yes, same as NME		
Non- Medicare Providers Covered:	Non-Par & Non-Accepting		
Pharmacy Covered:	Non-Par & Non-Accepting		

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

²OOP Max includes the deductible.

³Deductible and OOP Max are non-embedded; meaning the individual deductible and OOP max are not applied for an individual family member.

⁴Deductible and Co-Insurance also applies

Appendix C. - Provider Contract Summary

Service Providers	Cost		Effective Dates
Benefit and Claims Coordination (Actives & Retirees)			
- Premium (Health Advantage)	\$26.70	Per Employee Per Month	For Calendar Year
- Classic (Health Advantage)	\$24.60	Per Employee Per Month	2015 unless noted
- Basic (Health Advantage)	\$24.60	Per Employee Per Month	
- Primary (QualChoice)	\$23.89	Per Employee Per Month	
Prescription Drugs Claims Administration	<u>All Plans</u>		
- CatamaranRx (Includes staff, excludes Integrail)	\$2.75	Per Member Per Month	
Medical Appeals - UAMS			
- Physician Appeals	\$150.00	Per Physician Appeal	No payment made in 2015
Pharmacy Prior Authorization - EBRx			
- Prior Authorization	\$1.16	Per Employee Per Month	
Pharmacy Appeals - American Health Holding Inc.			
- Physician Appeals	\$150.00	Per Physician Appeal	No payment made in 2015
Medical Utilization Review - American Health Holding, Inc.	\$0.97	Per Member Per Month	
Condition Management - American Health Holding, Inc.	\$3.22	Per Member Per Month	
Case Management - American Health Holding, Inc.	\$0.89	Per Member Per Month	
ACHI	\$0.25	Per Member Per Month	
Employee Assistance Program - ComPsych	\$1.73	Per Employee Per Month	
Health Savings Account (HSA) Administrator - WageWorks	\$1.90	Per Enrolled Employee Per Month	

Appendix D. - Reserve Details

(In Millions \$)	12/31/2013	12/31/2014	12/31/2015	Updated Proj. 12/31/2016
Net Assets (Prior To IBNR)	\$ 70.3	\$ 75.4	\$ 132.1	\$ 89.8
Incurred But Not Recorded Claims	(29.8)	(29.4)	(29.4)	(29.4)
Net Assets After IBNR	\$ 40.5	\$ 46.0	\$ 102.7	\$ 60.4
ALLOCATED RESERVES				
Active/Retiree Premiums for Plan Year	\$ -	\$ -	\$ -	\$ -
Act/Ret Premiums for Next Plan Year	(43.0)	(20.0)	(47.7)	(5.8)
Act/Ret Premiums for 2nd Year After	-	-	(9.6)	(3.8)
Transitional Reinsurance Reserves	-	-	-	-
Catastrophic Reserve	-	(11.1)	(10.9)	(10.9)
Total Allocated Reserves	\$ (43.0)	\$ (31.1)	\$ (68.2)	\$ (20.5)
Net Assets Available	\$ (2.5)	\$ 14.9	\$ 34.5	\$ 39.9

Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements.

Appendix E. - Incurred Claims by Vendor and Plan

		3/31/2014	6/30/2014	9/30/2014	12/31/2014	Prior 12 Months	3/31/2015	6/30/2015	9/30/2015	12/31/2015	Last 12 Months
TOTAL (\$000s)	Actual Incurred Claims	\$ 59,725	\$ 70,080	\$ 71,755	\$ 82,775	\$ 284,336	\$ 50,505	\$ 62,660	\$ 67,291	\$ 75,487	\$ 255,942
	Projected	77,891	78,546	78,928	81,118	316,482	53,311	70,194	78,108	84,854	286,467
	Actual vs. Projected	(18,166)	(8,466)	(7,173)	1,657	(32,146)	(2,806)	(7,534)	(10,817)	(9,367)	(30,525)
Medical	All Actual Incurred Claims	\$ 42,806	\$ 49,680	\$ 52,740	\$ 60,087	\$ 205,313	\$ 35,093	\$ 43,668	\$ 49,800	\$ 54,594	\$ 183,155
	Projected	56,758	57,333	57,685	59,502	231,279	37,833	52,532	58,815	63,516	212,697
	Actual vs. Projected	(13,952)	(7,653)	(4,945)	585	(25,966)	(2,740)	(8,864)	(9,015)	(8,922)	(29,542)
Gold NME/Premium	Actual Incurred Claims	\$ 23,563	\$ 25,461	\$ 25,991	\$ 27,210	\$ 102,225	\$ 19,811	\$ 23,241	\$ 24,743	\$ 26,021	\$ 93,816
	Projected	23,716	23,921	24,156	24,862	96,655	20,853	25,404	28,865	31,459	106,581
	Actual vs. Projected	(153)	1,540	1,835	2,348	5,570	(1,042)	(2,163)	(4,122)	(5,438)	(12,765)
Silver NME/Classic	Actual Incurred Claims	\$ 5,003	\$ 6,070	\$ 5,675	\$ 6,827	\$ 23,576	\$ 10,952	\$ 15,567	\$ 19,479	\$ 21,709	\$ 67,707
	Projected	8,873	8,946	8,913	9,213	35,945	11,120	20,870	23,226	25,219	80,436
	Actual vs. Projected	(3,870)	(2,876)	(3,238)	(2,386)	(12,369)	(168)	(5,303)	(3,747)	(3,510)	(12,729)
Bronze NME/Basic	Actual Incurred Claims	\$ 9,829	\$ 13,871	\$ 16,829	\$ 21,305	\$ 61,833	\$ 268	\$ 626	\$ 570	\$ 930	\$ 2,394
	Projected	20,230	20,398	20,385	21,049	82,063	1,162	2,112	2,428	2,609	8,310
	Actual vs. Projected	(10,401)	(6,527)	(3,556)	256	(20,230)	(894)	(1,486)	(1,858)	(1,679)	(5,916)
ME	Actual Incurred Claims	\$ 4,411	\$ 4,278	\$ 4,245	\$ 4,745	\$ 17,679	\$ 4,062	\$ 4,234	\$ 5,008	\$ 5,934	\$ 19,238
	Projected	3,939	4,068	4,231	4,378	16,616	4,698	4,146	4,296	4,229	17,370
	Actual vs. Projected	472	210	14	367	1,063	(636)	88	712	1,705	1,868
Rx	All Actual Incurred Claims	\$ 10,713	\$ 11,549	\$ 12,302	\$ 14,264	\$ 48,828	\$ 10,532	\$ 11,731	\$ 12,512	\$ 14,026	\$ 48,801
	Projected	13,001	13,080	13,110	13,484	52,675	8,717	10,923	12,596	14,521	46,757
	Actual vs. Projected	(2,288)	(1,531)	(808)	780	(3,847)	1,815	808	(84)	(495)	2,044
Gold NME/Premium	Actual Incurred Claims	\$ 7,820	\$ 7,868	\$ 7,916	\$ 8,318	\$ 31,922	\$ 9,353	\$ 9,331	\$ 9,248	\$ 9,429	\$ 37,361
	Projected	7,330	7,376	7,431	7,630	29,767	7,867	8,375	8,580	8,905	33,727
	Actual vs. Projected	490	492	485	688	2,155	1,486	956	668	524	3,634
Silver NME/Classic	Actual Incurred Claims	\$ 1,976	\$ 1,714	\$ 1,691	\$ 1,896	\$ 7,277	\$ 1,135	\$ 2,342	\$ 3,182	\$ 4,462	\$ 11,120
	Projected	2,624	2,639	2,623	2,705	10,592	802	2,367	3,708	5,203	12,080
	Actual vs. Projected	(648)	(925)	(932)	(809)	(3,315)	333	(25)	(526)	(741)	(960)
Bronze NME/Basic	Actual Incurred Claims	\$ 918	\$ 1,967	\$ 2,695	\$ 4,050	\$ 9,630	\$ 44	\$ 58	\$ 82	\$ 136	\$ 320
	Projected	3,047	3,065	3,056	3,148	12,316	48	181	308	412	950
	Actual vs. Projected	(2,129)	(1,098)	(361)	902	(2,686)	(4)	(123)	(226)	(276)	(630)
Expenses (net of other income)	All Actual Next Expenses	\$ 6,206	\$ 8,851	\$ 6,713	\$ 8,425	\$ 30,195	\$ 4,880	\$ 7,261	\$ 4,979	\$ 6,867	\$ 23,987
	Projected	8,132	8,132	8,132	8,132	32,529	6,761	6,737	6,698	6,817	27,013
	Actual vs. Projected	(1,926)	719	(1,419)	293	(2,334)	(1,881)	524	(1,719)	50	(3,026)

Appendix F. - Definitions & Methods

Definitions:

Actual:	Results based on actual incurred claims and enrollment experience through December 2015, paid through January 2016. Actual incurred reflects an updated estimate of incurred but not recorded (IBNR) claims.
Projected:	Projections produced for use in setting annual rates. Details on the assumptions & methods used for Cheiron's 2016 and 2015 projections can be found in our November 10, 2015 (for 2016) and our November 10, 2014 (for 2015) letters to Bob Alexander.
Updated Projections:	Projections produced in June 2015 by Cheiron for 2016 rates, adjusted for actual asset experience through December 2014 and enrollment changes through June 2015.

Methods:

Updated Projections:	Population projections for the remainder of 2016 assume the same population as January 2016. Claims projections for 2016 use the same method as original projections but are adjusted for count changes and associated expected changes in risk characteristics for each plan in accordance with the population change. <i>Note that the updated projections presented in this report do NOT reflect updated claims experience.</i>
Incurred Claims:	Based on service dates through December 31, 2015 and process dates through January 31, 2016. Claims are before subtracting retiree drug subsidy. A blend of methods based on actuarial judgment was used to estimate the incurred claims by month.
IBNR (Incurred But Not Recorded) Claim Reserves:	Actual Reserves are those certified by Cheiron in July 2015. Original and updated Reserve projections are based on expected changes in incurred and paid claims. <i>Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements.</i>

Qualification Statements:

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

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

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

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

Arkansas State Employees (ASE)

Monitoring Report Through December 1, 2015

Presented on
February 16, 2016

John L. Colberg, FSA, MAAA
Gaelle Gravott, FSA, MAA

Table of Contents

<u>Section</u>	<u>Page</u>
I. Comments	2
II. Total Plan Experience	3
III. Sources of Gain / (Loss)	5
IV. Enrollment	6
V. Claims & Expenses by Month	8
VI. Large Claims Report	9
 APPENDICES	
A. Contribution Rates	10
B. Summary of Plan or Policy Changes	14
C. Provider Contract Summary	16
D. Reserve Details	17
E. Incurred Claims by Vendor and Plan	18
F. Definitions & Methods	19

Comments

- Assets increased in 2015 primarily due to enrollment changes.
- Both medical and pharmacy claims in 2015 were below projected. However, after adjusting for changes in enrollment, both medical and pharmacy claims experience was very close to, but still slightly below, projections.
- Enrollment in 2015 was below projected for actives, and more spouses than projected dropped coverage. Retirees in total were above projected.
- Updated enrollment experience should result in approximately a \$5 million gain for 2016, if all other factors are equal to our projections. (The potential impact of change in PBM is not reflected in this report.)

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

Total Plan Experience

Principal Results (\$ millions)	Plan Year 2015 - 1/1/2015 - 12/31/2015 -		Plan Year 2016 - 1/1/2016 - 12/31/2016 -	
	Actual	Projected ¹	Updated Proj. ²	Projected ¹
ACCOUNTING BASIS				
Employer Contributions	\$ 174.3	\$ 173.3	\$ 173.3	\$ 173.3
Participant Contributions & Rebates ³	95.3	108.9	94.4	97.0
Retiree Drug Subsidy & Other Income	12.2	9.7	11.0	11.0
Reserves Allocated	11.7	11.7	16.2	16.2
TOTAL INCOME	\$ 293.5	\$ 303.6	\$ 294.9	\$ 297.5
Claims Paid + IBNR Change ⁴	(243.6)	(279.8)	(266.3)	(273.3)
Expenses ⁵	(22.4)	(23.7)	(23.7)	(24.0)
TOTAL EXPENDITURES	\$ (266.0)	\$ (303.5)	\$ (290.0)	\$ (297.3)
NET PLAN GAIN / (LOSS)	\$ 27.5	\$ 0.1	\$ 4.9	\$ 0.2
INCURRED BASIS				
TOTAL INCOME	\$ 293.5	\$ 303.6	\$ 294.9	\$ 297.5
Claims Incurred	(245.0)	(279.8)	(266.2)	(273.3)
Expenses ⁵	(22.4)	(23.7)	(23.7)	(24.0)
TOTAL EXPENDITURES INCURRED	\$ (267.4)	\$ (303.5)	\$ (289.9)	\$ (297.3)
NET CHANGE	\$ 26.1	\$ 0.1	\$ 5.0	\$ 0.2
PLAN ASSETS				
Net Assets (Prior to IBNR)	\$ 93.9	\$ 59.2	\$ 82.7	\$ 75.6
IBNR Reserve	(26.5)	(26.5)	(26.5)	(26.5)
Reserve for Current and Future Premiums	(28.8)	(3.6)	(12.6)	(12.6)
Transitional Reinsurance	-	(2.3)	-	-
Catastrophic Reserve	(10.4)	(10.6)	(10.4)	(10.4)
NET ASSETS AVAILABLE	\$ 28.2	\$ 16.2	\$ 33.2	\$ 26.1
ENROLLMENT				
Active Employees (includes COBRA)	26,972	28,115	26,353	27,236
Retirees	11,252	11,459	11,805	11,679
Total Employees Enrolled	38,225	39,574	38,159	38,915
TOTAL INCOME PEPM	\$ 640	\$ 639	\$ 644	\$ 637
TOTAL EXPENDITURES PEPM	\$ (583)	\$ (639)	\$ (633)	\$ (637)

¹ Projections are those done when setting the rates for the applicable plan year.

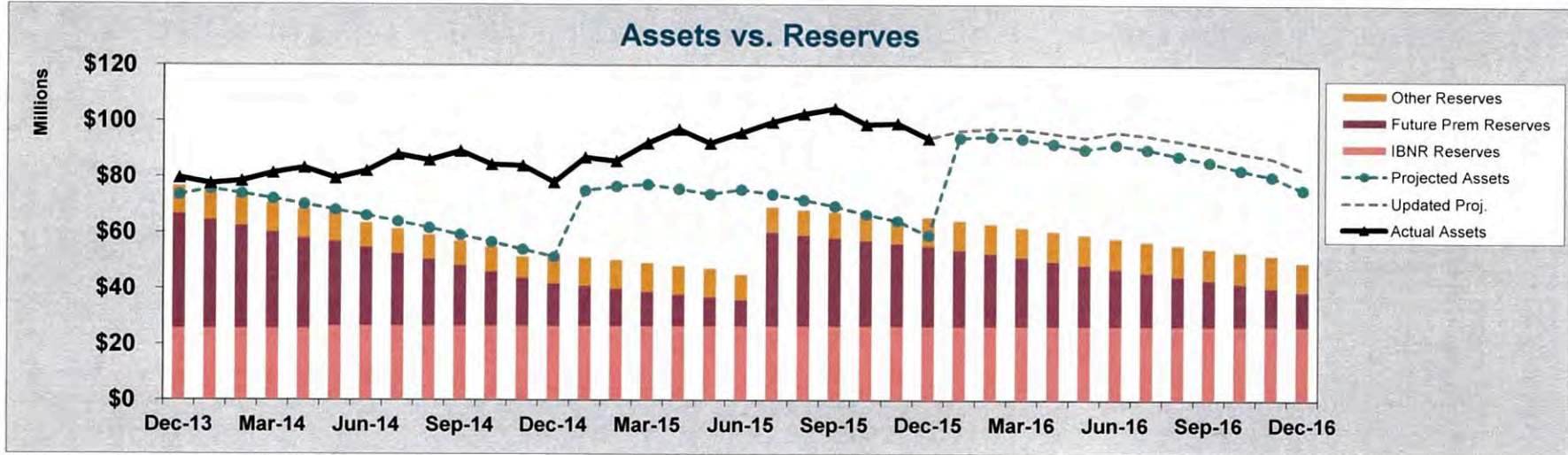
² Updated Projections reflect updated participant count and asset information.

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

⁴ The IBNR Change reflects only the June 30 modification shown on the financial statements.

Total Plan Experience

The chart below shows the Plan's assets (solid line) compared to projected assets (dotted lines) and target reserve levels (bars). Projected assets represent the projections used to set the rates. The updated projections reflect asset experience and participant changes since those rates were set (in June 2015). The average cost per rating tier has not been updated, and change in PBM is not reflected.



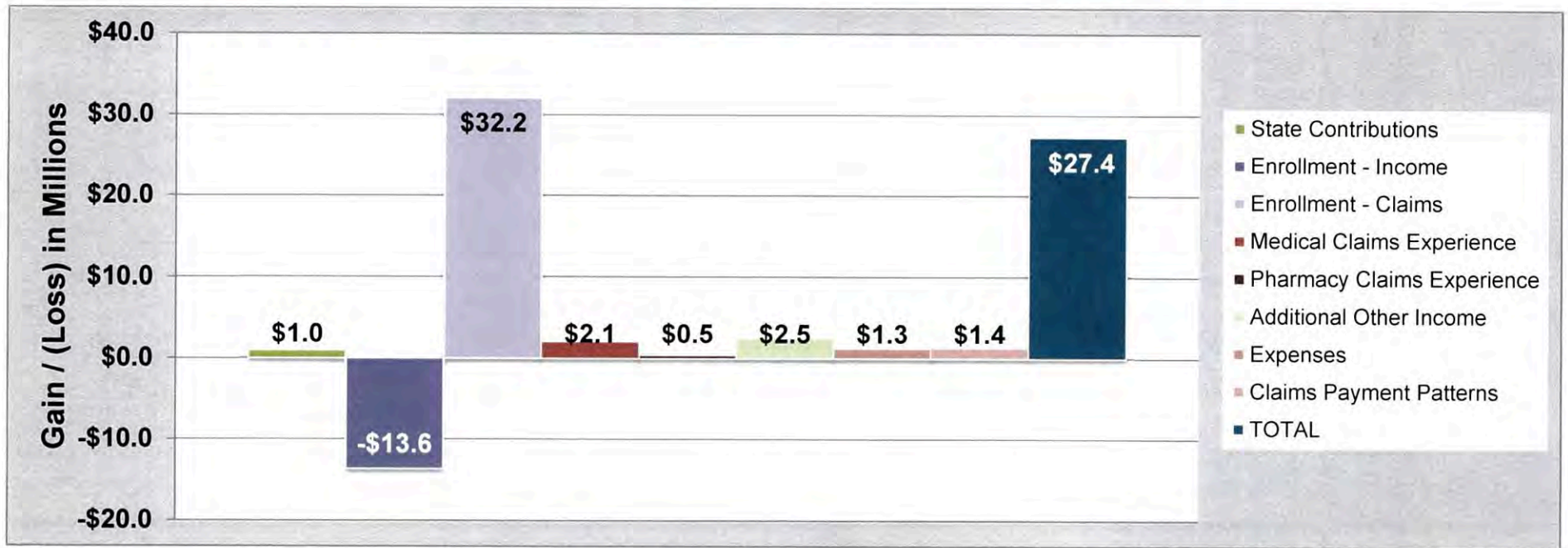
(In Millions \$)

	As of	12/31/2013	12/31/2014	12/31/2015	Updated Proj. 12/31/2016
Net Assets before IBNR	\$	79.6	\$ 78.1	\$ 93.9	\$ 82.7
IBNR Reserve		(25.6)	(26.5)	(26.5)	(26.5)
Reserve for Current and Future Premiums		(41.1)	(15.3)	(28.8)	(12.6)
Catastrophic Reserve		(10.0)	(10.6)	(10.4)	(10.4)
Transitional Reinsurance Reserve		-	-	-	-
Pharmacy Reward Program		-	-	-	-
Net Assets Available	\$	2.9	\$ 25.7	\$ 28.2	\$ 33.2

Projected Assets	\$	73.6	\$ 51.4	\$ 59.2	\$ 75.6
Projected IBNR Reserve	\$	(24.3)	(25.6)	(26.5)	(26.5)
Reserve for Current and Future Premiums	\$	(23.1)	(15.3)	(3.6)	(12.6)
Catastrophic Reserve	\$	(9.0)	(10.0)	(10.6)	(10.4)
Transitional Reinsurance Reserve	\$	-	-	(2.3)	-
Projected Net Assets	\$	17.2	\$ 0.5	\$ 16.2	\$ 26.1

Plan Year Ending	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Funding (including allocated reserves)	\$ 291.2	\$ 300.2	\$ 293.5	\$ 294.9
Expenses	292.3	276.8	266.1	289.9
Net Income / (Loss)	\$ (1.1)	\$ 23.4	\$ 27.4	\$ 5.0
Projected Net Income / (Loss)	\$ (0.1)	\$ -	\$ -	\$ 0.1

Sources of Gain / (Loss) for Calendar Year 2015



State Contributions

Actual state contributions received differed slightly from those assumed in setting the 2015 rates.

Enrollment - Income

The impact on income due to changes in enrollment from what was projected. This was due to fewer employees covered than projected, particularly in the employee & spouse and family coverage tiers.

Enrollment - Claims

The impact on medical and pharmacy claims due to changes in enrollment from what was projected. Includes the impact due to both lower enrollment and differences in enrollment by plan and tier.

Medical Claims Experience

Medical claims experience was slightly more favorable than projected when setting the rates.

Pharmacy Claims Experience

Pharmacy claims experience was slightly more favorable than projected when setting the

Additional Other Income

Differences in investment income and other unanticipated income.

Expenses

Plan expenses were lower than assumed when setting the rates for 2015.

Claims Payment Patterns

An estimate of unpaid incurred claims as of December 31, 2015 not reflected in the IBNR reserve.

Enrollment: Actives

Average for Calendar Year		2013	2014	2015	Projected 2015	Projected 2016	Proj. 2016
Gold (2013-14) Premium (2015+)	Single	13,806	13,247	14,289	14,304	14,489	13,903
	Employee/Spouse	3,022	2,894	2,331	3,155	2,371	2,274
	Employee/Child(ren)	4,852	4,647	5,458	4,970	5,506	5,240
	Family	3,174	3,105	2,139	3,403	2,157	2,067
	Total	24,854	23,894	24,218	25,832	24,523	23,483
	Member Counts	45,398	43,841	42,389	47,460	42,889	41,002
Silver (2013-14) Classic (2015+)	Single	702	896	1,137	952	1,133	1,063
	Employee/Spouse	130	180	155	280	156	139
	Employee/Child(ren)	183	260	327	249	326	299
	Family	189	243	192	346	196	167
	Total	1,204	1,579	1,811	1,827	1,811	1,667
	Member Counts	2,177	2,911	3,102	3,559	3,106	2,818
Bronze (2013-14) Basic (2015+)	Single	1,027	1,249	599	238	570	788
	Employee/Spouse	250	351	97	70	94	116
	Employee/Child(ren)	261	314	122	62	115	166
	Family	321	438	125	86	123	134
	Total	1,860	2,352	943	457	902	1,203
	Member Counts	3,490	4,536	1,640	890	1,576	2,024
TOTAL	Single	15,536	15,392	16,026	15,494	16,191	15,753
	Employee/Spouse	3,402	3,424	2,584	3,505	2,621	2,529
	Employee/Child(ren)	5,297	5,222	5,907	5,281	5,947	5,704
	Family	3,684	3,786	2,456	3,835	2,476	2,367
	Total	27,918	27,825	26,972	28,115	27,236	26,353
	Member Counts	51,064	51,287	47,131	51,909	47,571	45,844

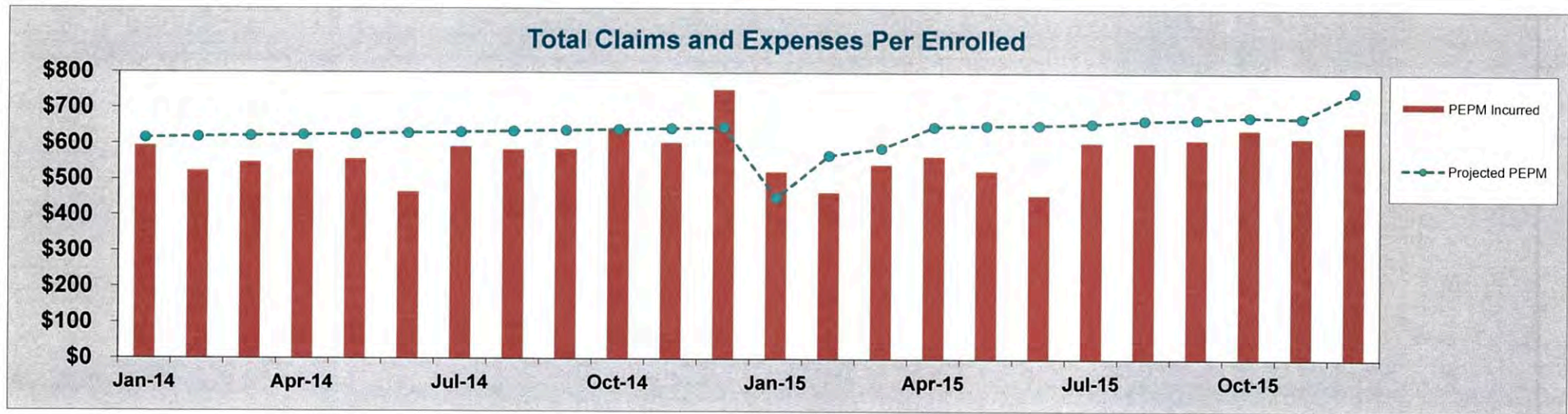
Enrollment: Retirees

Average for Calendar Year		2013	2014	2015	Projected 2015	Projected 2016	Proj. 2016
Retirees Non-Medicare Eligible (NME) Gold (2013-14) Premium (2015+)	Retiree Only	1,524	1,546	1,642	1,900	1,649	1,701
	Retiree + NME Spouse	490	474	403	606	400	391
	Retiree + Child(ren)	73	83	100	104	99	102
	Retiree + NME Spouse + Child(ren)	32	38	40	39	38	47
	Retiree + ME Spouse	220	229	200	251	222	197
	Retiree + ME Spouse + Child(ren)	6	7	7	9	9	6
	Total	2,345	2,378	2,393	2,909	2,417	2,444
Silver (2013-14) Classic (2015+)	Retiree Only	8	13	39	27	36	46
	Retiree + NME Spouse	5	8	14	18	16	11
	Retiree + Child(ren)	1	2	3	4	3	2
	Retiree + NME Spouse + Child(ren)	2	3	6	12	5	5
	Total	16	25	61	60	60	64
Bronze (2013-14) Basic (2015+)	Retiree Only	10	28	11	3	10	19
	Retiree + NME Spouse	12	18	4	2	5	4
	Retiree + Child(ren)	2	4	1	0	0	1
	Retiree + NME Spouse + Child(ren)	12	10	3	1	4	3
	Total	36	59	18	7	20	27
TOTAL	NME Retirees	2,397	2,462	2,472	2,975	2,498	2,535
	NME Member Counts	3,708	3,803	3,719	4,473	3,671	3,440

Retirees Medicare Eligible (ME)	Retiree Only	5,393	5,724	6,059	5,797	6,326	6,446
	Retiree + NME Spouse	384	393	358	399	410	354
	Retiree + Child(ren)	68	69	73	62	77	70
	Retiree + NME Spouse + Child(ren)	34	31	26	34	29	24
	Retiree + ME Spouse	2,013	2,114	2,236	2,170	2,313	2,344
	Retiree + ME Spouse + Child(ren)	21	24	29	21	27	33
	Total	7,912	8,355	8,780	8,483	9,181	9,270
	ME Member Counts	10,172	10,729	11,252	10,935	11,752	12,184

Claims & Expenses by Month

The chart below displays the total claims and expenses incurred on a per active member basis. The total claims include medical, pharmacy, behavioral health, life, and expenses. Expenses are net of other income (not attributable to Medicare Retiree Drug Subsidies).



	<u>3/31/2014</u>	<u>6/30/2014</u>	<u>9/30/2014</u>	<u>12/31/2014</u>	<u>Prior 12 Months</u>	<u>3/31/2015</u>	<u>6/30/2015</u>	<u>9/30/2015</u>	<u>12/31/2015</u>	<u>Last 12 Months</u>
Total Incurred (In Millions \$)										
Total Claims & Expenses	\$ 64.6	\$ 62.2	\$ 68.0	\$ 76.9	\$ 271.7	\$ 59.0	\$ 59.5	\$ 69.5	\$ 72.6	\$ 260.6
- Change	(8.1)	(2.4)	5.8	9.0	(12.2)	(18.0)	0.5	10.0	3.1	(11.1)
Projected	\$ 71.6	\$ 72.5	\$ 73.5	\$ 74.4	\$ 292.0	\$ 63.6	\$ 77.4	\$ 79.1	\$ 83.4	\$ 303.5
- Change	(0.0)	0.9	0.9	1.0	11.2	(10.8)	13.9	1.7	4.3	11.5
Actual vs. Projected	\$ (7.0)	\$ (10.3)	\$ (5.5)	\$ 2.5	\$ (20.3)	\$ (4.6)	\$ (18.0)	\$ (9.6)	\$ (10.8)	\$ (43.0)
Per Enrolled Basis										
Total Claims & Expenses	\$ 555.17	\$ 535.12	\$ 587.14	\$ 666.58	\$ 585.86	\$ 510.15	\$ 516.87	\$ 608.35	\$ 638.01	\$ 568.02
% Change	(12.3%)	(3.6%)	9.7%	13.5%	(5.3%)	(23.5%)	1.3%	17.7%	4.9%	(3.0%)
Projected	\$ 619.51	\$ 627.60	\$ 635.81	\$ 644.13	\$ 631.76	\$ 536.38	\$ 652.24	\$ 666.46	\$ 701.32	\$ 639.16
% Change	(0.3%)	1.3%	1.3%	1.3%	3.7%	(16.7%)	21.6%	2.2%	5.2%	1.2%

Large Claims Report

		Medical			Rx		Total	Change from Prior Year
		\$100,000 - \$249,999	\$250,000 - \$999,999	\$1,000,000+	\$25,000 - \$49,999	\$50,000+		
1/1/2015-12/31/2015								
Total All Plans	Number of Claimants	130	16	-	278	146	559	64
	Claim Amount	\$ 19,373,981	\$ 6,557,587	\$ -	\$ 9,870,527	\$ 12,794,335	\$ 48,596,430	\$ 1,636,202
	Average Claim	\$ 149,031	\$ 409,849	\$ -	\$ 35,505	\$ 87,632	\$ 86,935	\$ (7,935)
Premium	Number of Claimants	126	16	-	276	146	554	72
	Claim Amount	\$ 18,555,301	\$ 6,557,587	\$ -	\$ 9,811,009	\$ 12,794,335	\$ 47,718,232	\$ 2,890,460
	Average Claim	\$ 147,264	\$ 409,849	\$ -	\$ 35,547	\$ 87,632	\$ 86,134	\$ (6,870)
Classic	Number of Claimants	3	-	-	2	-	4	(5)
	Claim Amount	\$ 604,978	\$ -	\$ -	\$ 59,518	\$ -	\$ 664,496	\$ (680,480)
	Average Claim	\$ 201,659	\$ -	\$ -	\$ 29,759	\$ -	\$ 166,124	\$ 16,682
Basic	Number of Claimants	1	-	-	-	-	1	(3)
	Claim Amount	\$ 213,702	\$ -	\$ -	\$ -	\$ -	\$ 213,702	\$ (573,779)
	Average Claim	\$ 213,702	\$ -	\$ -	\$ -	\$ -	\$ 213,702	\$ 16,832
1/1/2014-12/31/2014								
Total All Plans	Number of Claimants	113	32	-	258	111	495	41
	Claim Amount	\$ 17,524,679	\$ 12,230,943	\$ -	\$ 8,594,678	\$ 8,609,928	\$ 46,960,228	\$ 3,869,380
	Average Claim	\$ 155,086	\$ 382,217	\$ -	\$ 33,313	\$ 77,567	\$ 94,869	\$ (45)
Gold	Number of Claimants	109	28	-	251	111	482	42
	Claim Amount	\$ 17,009,298	\$ 10,846,907	\$ -	\$ 8,361,638	\$ 8,609,928	\$ 44,827,771	\$ 3,930,081
	Average Claim	\$ 156,049	\$ 387,390	\$ -	\$ 33,313	\$ 77,567	\$ 93,004	\$ 54
Silver	Number of Claimants	3	2	-	5	-	9	2
	Claim Amount	\$ 341,512	\$ 839,527	\$ -	\$ 163,937	\$ -	\$ 1,344,976	\$ 397,442
	Average Claim	\$ 113,837	\$ 419,764	\$ -	\$ 32,787	\$ -	\$ 149,442	\$ 14,080
Bronze	Number of Claimants	1	2	-	2	-	4	(3)
	Claim Amount	\$ 173,869	\$ 544,509	\$ -	\$ 69,103	\$ -	\$ 787,481	\$ (458,143)
	Average Claim	\$ 173,869	\$ 272,254	\$ -	\$ 34,551	\$ -	\$ 196,870	\$ 18,924
1/1/2013-12/31/2013								
Total All Plans	Number of Claimants	96	35	-	224	113	454	54
	Claim Amount	\$ 13,898,713	\$ 13,638,101	\$ -	\$ 7,437,803	\$ 8,116,232	\$ 43,090,849	\$ 4,793,625
	Average Claim	\$ 144,778	\$ 389,660	\$ -	\$ 33,204	\$ 71,825	\$ 94,914	\$ (829)
Gold	Number of Claimants	91	32	-	221	110	440	44
	Claim Amount	\$ 13,105,895	\$ 12,532,859	\$ -	\$ 7,337,017	\$ 7,921,920	\$ 40,897,690	\$ 3,132,901
	Average Claim	\$ 144,021	\$ 391,652	\$ -	\$ 33,199	\$ 72,017	\$ 92,949	\$ (2,416)
Silver	Number of Claimants	1	1	-	2	3	7	7
	Claim Amount	\$ 243,454	\$ 440,336	\$ -	\$ 69,431	\$ 194,312	\$ 947,534	\$ 947,534
	Average Claim	\$ 243,454	\$ 440,336	\$ -	\$ 34,716	\$ 64,771	\$ 135,362	\$ 135,362
Bronze	Number of Claimants	4	2	-	1	-	7	3
	Claim Amount	\$ 549,365	\$ 664,906	\$ -	\$ 31,354	\$ -	\$ 1,245,625	\$ 713,191
	Average Claim	\$ 137,341	\$ 332,453	\$ -	\$ 31,354	\$ -	\$ 177,946	\$ 44,838

Appendix A. - Contribution Rates: Actives

Calendar Year 2016

Actives	Total Monthly Premium	State Contributions	Reserve Allocation	2016 EE Total Cost	2015 EE Total Cost*	Change in Premiums (\$ / %)		Assumed Enrollment
Premium								
Employee Only	\$ 459.96	\$ 325.41	\$29.77	\$ 104.78	\$ 104.78	\$0.00	0%	14,489
Employee & Spouse	1,024.48	591.31	54.09	379.08	379.08	0.00	0%	2,371
Employee & Child(ren)	766.76	510.06	46.66	210.04	210.04	0.00	0%	5,506
Family	1,331.28	775.96	70.98	484.34	484.34	0.00	0%	2,157
Est. Monthly Total (\$mil)	\$ 16.2	\$ 10.6	\$ 1.0	\$ 4.6	\$ 4.6	\$ -		24,523
Classic								
Employee Only	\$ 401.60	\$ 325.36	\$29.76	\$ 46.48	\$ 46.48	\$0.00	0%	1,133
Employee & Spouse	888.46	591.35	54.09	243.02	243.02	0.00	0%	156
Employee & Child(ren)	666.20	510.08	46.66	109.46	109.46	0.00	0%	326
Family	1,153.06	776.07	70.99	306.00	306.00	0.00	0%	196
Est. Monthly Total (\$mil)	\$ 1.0	\$ 0.8	\$ 0.1	\$ 0.2	\$ 0.2	\$ -		1,811
Basic								
Employee Only	\$ 355.16	\$ 325.39	\$29.77	\$ -	\$ -	\$0.00	n/a	570
Employee & Spouse	777.90	591.33	54.09	132.48	132.48	0.00	0%	94
Employee & Child(ren)	584.92	510.10	46.66	28.16	28.16	0.00	0%	115
Family	1,007.66	776.03	70.99	484.34	160.64	0.00	0%	123
Est. Monthly Total (\$mil)	\$ 0.5	\$ 0.4	\$ 0.0	\$ 0.1	\$ 0.0	\$ -		902
Total (Monthly) (\$ mil)	\$ 17.7	\$ 11.8	\$ 1.1	\$ 4.9	\$ 4.8	\$ -		27,236
Est Annual Total (\$ mil)	\$ 212.3	\$ 141.3	\$ 12.9	\$ 58.6	\$ 58.1	\$ -		

Appendix A. - Contribution Rates: Retirees

Calendar Year 2016

Non Medicare Eligible Retirees	Total Monthly Premium	State Contributions	Reserve Allocation	2016 Ret. Total Cost	2015 Ret. Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Premium								
Retiree Only	\$459.96	\$ 184.45	\$16.87	\$ 258.64	\$ 258.64	\$0.00	0%	1,649
Retiree & NME SP	1,024.48	332.08	30.38	662.02	662.02	0.00	0%	400
Retiree & Child(ren)	766.76	264.61	24.21	477.94	477.94	0.00	0%	99
Retiree & NME SP&CH	1,331.28	412.25	37.71	881.32	881.32	0.00	0%	38
Retiree & ME SP	861.74	331.62	30.34	499.78	499.78	0.00	0%	222
Retiree & ME SP & CH	1,168.54	411.79	37.67	719.08	719.08	0.00	0%	9
Est. Monthly Total (\$mil)	\$ 1.5	\$ 0.6	\$ 0.1	\$ 0.9	\$ 0.9	\$ -		2,417
Classic								
Employee Only	\$ 401.60	\$ 184.39	\$16.87	\$ 200.34	\$ 200.34	\$0.00	0%	36
Employee & Spouse	888.46	332.12	30.38	525.96	525.96	0.00	0%	16
Employee & Child(ren)	666.20	264.63	24.21	377.36	377.36	0.00	0%	3
Family	1,153.06	412.36	37.72	702.98	702.98	0.00	0%	5
Est. Monthly Total (\$mil)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ -		60
Basic								
Employee Only	\$ 355.16	\$ 184.43	\$16.87	\$ 153.86	\$ 153.86	\$0.00	0%	10
Employee & Spouse	777.90	332.10	30.38	415.42	415.42	0.00	0%	5
Employee & Child(ren)	584.92	264.65	24.21	296.06	296.06	0.00	0%	0
Family	1,007.66	412.32	37.72	557.62	557.62	0.00	0%	4
Est. Monthly Total (\$mil)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ -		20
Total (Monthly) (\$ mil)	\$ 1.5	\$ 0.6	\$ 0.1	\$ 0.9	\$ 0.9	\$ -		2,498
Est Annual Total (\$ mil)	\$ 18.6	\$ 6.9	\$ 0.6	\$ 11.0	\$ 11.0	\$ -		

ME Retirees	Total Monthly Premium	State Contributions	Reserve Allocation	2016 Ret. Total Cost	2015 Ret. Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Medicare Eligible								
Retiree Only	\$401.77	\$219.71	\$20.10	\$161.96	\$161.96	\$0.00	0%	6,326
Retiree & NME SP	861.73	271.55	24.84	565.34	565.34	0.00	0%	410
Retiree & Child(ren)	759.05	346.12	31.67	381.26	381.26	0.00	0%	77
Retiree & NME SP&CH	1,273.09	447.51	40.94	784.64	784.64	0.00	0%	29
Retiree & ME SP	779.65	358.81	32.82	388.02	388.02	0.00	0%	2,313
Retiree & ME SP & CH	1,136.93	485.22	44.39	607.32	607.32	0.00	0%	27
Est. Monthly Total (\$ mil)	\$ 4.8	\$ 2.4	\$ 0.2	\$ 2.2	\$ 2.2	\$ -		9,181
Total (Est. Annual)	\$ 57.9	\$ 28.6	\$ 2.6	\$ 26.7	\$ 26.7	\$ -		

Appendix A. - Contribution Rates: Actives

Calendar Year 2015

Actives	Total Monthly Premium	State Contributions	Reserve Allocation	2015 EE Total Cost	2014 EE Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Gold								
Employee Only	\$ 431.08	\$ 305.75	\$ 20.55	\$ 104.78	\$ 96.68	\$8.10	8%	14,304
Employee & Spouse	968.92	552.69	37.15	379.08	371.24	7.84	2%	3,155
Employee & Child(ren)	723.48	481.10	32.34	210.04	195.48	14.56	7%	4,970
Family	1,261.32	728.04	48.94	484.34	423.60	60.74	14%	3,403
Est. Monthly Total (\$mil)	\$ 17.1	\$ 11.0	\$ 0.7	\$ 5.4	\$ 5.0	\$ 0.4		25,832
Silver					2014 Bronze			
Employee Only	\$ 372.78	\$ 305.75	\$20.55	\$ 46.48	\$ -	\$46.48	n/a	952
Employee & Spouse	832.86	552.69	37.15	243.02	77.96	165.06	212%	280
Employee & Child(ren)	622.90	481.10	32.34	109.46	28.10	81.36	290%	249
Family	1,082.96	728.02	48.94	306.00	93.08	212.92	229%	346
Est. Monthly Total (\$mil)	\$ 1.1	\$ 0.8	\$ 0.1	\$ 0.2	\$ 0.1	\$ 0.2		1,827
Bronze					2014 Bronze			
Employee Only	\$ 326.30	\$ 305.75	\$20.55	\$ -	\$0.00	\$0.00	n/a	238
Employee & Spouse	722.32	552.69	37.15	132.48	77.96	54.52	70%	70
Employee & Child(ren)	541.60	481.10	32.34	28.16	28.10	0.06	0%	62
Family	937.62	728.04	48.94	160.64	93.08	67.56	73%	86
Est. Monthly Total (\$mil)	\$ 0.2	\$ 0.2	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0		457
Total (Monthly) (\$ mil)	\$ 18.5	\$ 12.0	\$ 0.8	\$ 5.7	\$ 5.0	\$ 0.6		28,115
Est. Annual Total (\$ mil)	\$ 221.7	\$ 144.1	\$ 9.7	\$ 67.9	\$ 60.5	\$ 7.4		

Appendix A. - Contribution Rates: Retirees

Calendar Year 2015

Non-Medicare Eligible Retirees	Total Monthly Premium	State Contributions	Reserve Allocation	2015 EE Total Cost	2014 EE Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment
Premium							
Retiree Only	\$ 470.98	\$ 188.39	\$44.61	\$ 237.98	\$ 235.74	\$2.24 1%	1,727
Retiree & NME SP	1,063.12	336.42	145.34	581.36	575.88	5.48 1%	574
Retiree & Child(ren)	759.98	260.64	55.32	444.02	439.84	4.18 1%	83
Retiree & NME SP&CH	1,352.12	408.69	18.01	925.42	916.72	8.70 1%	34
Retiree & ME SP	794.56	269.28	119.92	405.36	401.54	3.82 1%	238
Retiree & ME SP & CH	1,083.56	341.53	129.49	612.54	606.77	5.77 1%	8
Est. Monthly Total (\$mil)	\$ 1.7	\$ 0.6	\$ 0.2	\$ 0.9	\$ 0.9	\$ 0.0	2,664
Classic							
Employee Only	\$ 322.42	\$ 118.42	\$0.00	\$ 204.00	\$ 202.08	\$1.92 1%	6
Employee & Spouse	718.00	222.68	0.00	495.32	490.66	4.66 1%	7
Employee & Child(ren)	515.48	136.32	0.00	379.16	375.60	3.56 1%	1
Family	911.06	232.72	0.00	678.34	671.96	6.38 1%	3
Est. Monthly Total (\$mil)	\$ 0.0	\$ 0.0	\$ -	\$ 0.0	\$ 0.0	\$ 0.0	17
Basic							
Employee Only	\$ 193.26	\$ 38.64	\$6.76	\$ 147.86	\$ 146.46	\$1.40 1%	8
Employee & Spouse	409.12	49.45	55.90	303.78	300.92	2.86 1%	13
Employee & Child(ren)	298.60	43.92	50.62	204.06	202.14	1.92 1%	2
Family	514.48	54.71	125.74	334.02	330.88	3.14 1%	12
Est. Monthly Total (\$mil)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	35
Total (Monthly) (\$ mil)	\$ 1.8	\$ 0.6	\$ 0.2	\$ 0.9	\$ 0.9	\$ 0.0	2,716
Est Annual Total (\$ mil)	\$ 21.1	\$ 7.5	\$ 2.4	\$ 11.2	\$ 11.1	\$ 0.1	

ME Retirees	Total Monthly Premium	State Contributions	Reserve Allocation	2015 EE Total Cost	2014 EE Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment
Medicare Eligible							
Retiree Only	\$ 353.44	\$ 194.14	\$ 11.20	\$ 148.10	\$ 117.12	\$30.98 26%	5,248
Retiree & NME SP	824.43	343.61	0.00	480.82	446.72	34.10 8%	368
Retiree & Child(ren)	679.57	324.61	7.26	347.70	314.86	32.84 10%	59
Retiree & NME SP&CH	1,234.57	546.60	7.51	680.46	644.48	35.98 6%	31
Retiree & ME SP	706.88	323.58	42.44	340.86	278.49	62.37 22%	1,974
Retiree & ME SP & CH	995.87	439.18	16.21	540.48	476.24	64.24 13%	19
Est. Monthly Total (\$ mil)	\$ 3.65	\$ 1.83	\$ 0.14	\$ 1.68	\$ 1.38	\$0.30	7,700
Total (Est. Annual)	\$ 43.82	\$ 21.95	\$ 1.72	\$ 20.15	\$ 16.52	\$3.63	

Appendix B. - Summary of Plan or Policy Changes

<u>Date</u>	<u>Major Change</u>
For 2016 Plan Year	Embedded Individual Medical OOP Max is applied for Classic and Basic within the family OOP Max. The individual and family
For 2015 Plan Year	Plans were renamed Premium, Classic and Basic to avoid confusion with metallic plans from Exchange Premium is former Gold with \$500/\$1,000 deductible for individual/family, Office Visit copays at \$25/\$50 for Primary Care Phys hospitalization, \$3,600/\$7,200 individual/family Out-of-Pocket (OOP) max for Rx, \$1000/\$2000 deductible for Out-of-Network (O Classic is former Bronze with a \$25/\$50 for individual/family monthly HSA contribution, a \$2,500/\$5,000 deductible for individu a \$3,950/\$7,900 coinsurance OOP max for individual/family, and a true OOP max (including deductible, coinsurance, copays) c Classic provides no coverage for non-preferred brand drugs, has a \$4,000/\$8,000 deductible for individual/family and no OOP Basic is another HSA qualified plan with \$25/\$50 individual/family monthly HSA contributions, a \$6,450/\$12,900 individual/fami Basic provides no coverage for non-preferred brand drugs, and no OON coverage Wellness credit: Active employee contributions are reduced by \$75/mo if the employee had a physical exam in the past year (n
For 2014 Plan Year	Increase Gold Plan in-network maximum out of pocket (MOOP) to \$2,500 for individual, \$5,000 for family Increase Gold and Silver Plans' Office Visit copays to \$35/\$70 for Primary Care Physician (PCP)/Specialists Increase Gold and Silver Plans' Pharmacy copays to \$15/\$40/\$80/\$100 for Generic/Preferred Brand/non-Preferred Brand/Speci Increase Gold Plan ER copay to \$250, Silver plan ER copay to \$300, Gold and Silver Plans' Ambulance copay to \$50 Change Gold and Silver Plans' rehab cost share to \$35 copay Increase Silver Plan In-Network deductible to \$1,000 for individual, \$2,000 for family, MOOP to \$3,000 for individual, \$6,000 for Increase Silver Plan Out-of-Network deductible to \$2,000 for individual, \$4,000 for family, MOOP to \$8,000 for individual, \$16,00 Increase Bronze Plan In-Network deductible to \$2,000 for individual, \$3,000 for family, MOOP to \$6,350 for individual, \$9,525 fo Increase Bronze Plan Out-of-Network deductible to \$4,000 for individual, \$8,000 for family, MOOP to \$12,700 for individual, \$19
For 2013 Plan Year	Women's preventive care covered at 100%.
For 2012 Plan Year	ARHealth plan became Gold Plan; network is only Health Advantage (Novasys no longer an option) HD PPO became Bronze Plan; network changed from Novasys to Health Advantage Silver Plan with \$25 PCP copay and \$750 deductible offered through Qualchoice NME Retirees eligible to elect Gold, Silver or Bronze (ME Retirees are Gold only) Bariatric surgery covered through pilot program Coverage for Autism added Behavioral Health changed to self-insured and integrated with Medical
For 2011 Plan Year	Lifetime Max for Out-of-Network (OON) changed to match the In-Network's (INN) Unlimited Lifetime Maximum Immunizations covered at 100% for OON coverage Some services under behavioral health now do not require pre-authorization Intensive Out-Patient Services under behavioral health now require 20% member coinsurance \$10,000 Benefit Maximum Removed for Durable Medical Equipment / Enteral Feeding Hearing/Vision Screening copayment changed to \$35 OON (ARHealth), and \$35 INN & OON (ARHealth HD) Active and Non-Medicare retiree experience was blended in determining the rates Increased credibility was given to the High Deductible Plan in determining the rates Child covered until age 26

Summary of 2015 Benefits for AR Health (ASE)

Benefit Option Name: Last Modified: Provider Network:	Gold/Premium 1/1/2015 Health Advantage	Silver/Classic 1/1/2015 Health Advantage	Bronze/Basic 1/1/2015 Health Advantage
<u>In-Network (INN) Benefits</u>			
Deductible (Individual / Family)	\$500 / \$1000	\$2500 / \$5000 ³	\$6450 / \$12900 ³
Coinsurance	20%	20%	0%
Coinsurance limit (after Ded.) Individual/Family	\$2500 / \$5000	\$3950 / \$7900	n/a / n/a
Copays			
Office Visit - Primary Care (PCP)	\$25	Ded. & Coins.	Ded. & Coins.
OV - Specialist Care Provider (SCP)	\$50	Ded. & Coins.	Ded. & Coins.
Urgent Care (UC)	\$100	Ded. & Coins.	Ded. & Coins.
Emergency Room (ER) Non-admitted	\$250	Ded. & Coins.	Ded. & Coins.
Emergency Transportation-Ambulance	\$50	Ded. & Coins.	Ded. & Coins.
Hospital Facility - Inpatient & SNF (Co-pay/Admission) ⁴	\$250	Ded. & Coins.	Ded. & Coins.
Hospital Facility - Outpatient - Co-Pay ⁴	\$100	Ded. & Coins.	Ded. & Coins.
Out-of-Pocket Max (Individual / Family) ²	\$3000 / \$6000	\$6450 / \$12900 ³	\$6450 / \$12900 ³
<u>Out-of-Network (OON) Benefits</u> ¹			
Deductible (Individual / Family)	\$2000 / \$4000	\$4000 / \$8000 ³	Not Covered
Coinsurance	40%	40%	
Out-of-Pocket Max (Individual / Family) ²	Unlimited / Unlimited	Unlimited / Unlimited	
Annual Maximum INN / OON	Unlimited	Unlimited	Unlimited
<u>Prescription Drugs</u>			
Separate Deductible then the following Copays:	None	Included with Medical	Included with Medical
Retail (31 Days) - Generic/Formulary /Non-Form./ Specialty	\$15 / \$40 / \$80 / \$100		
Mail Order (93 Days) - Generic/Form. /Non-Form./Specialty	\$45 / \$120/ \$240/ \$300		
Non-Formulary Covered	Yes	No	No
Out-of-Pocket Max (Individual / Family) ²	\$3100 / \$6200	n/a / n/a	n/a / n/a
<u>Selected Detail Benefits</u>			
Psychiatry	INN: \$25 Copay; OON: Ded & Coins.	Ded & Coins.	Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical):	INN: \$25 Copay; OON: Ded. & Coins.	Ded & Coins.	Ded. & Coins.
Chiropractors	INN: \$25 Copay; OON: Ded & Coins.	Ded & Coins.	Ded. & Coins.
Hearing Aids	No Copay; Limit of \$1400 per ear every 3 years	Ded. & Coins.; Limit of \$1400 per ear every 3 years	Ded. & Coins.; Limit of \$1400 per ear every 3 years
Durable Medical Equipment (DME)	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Monthly HSA Contributions	N/A	\$25 Single/\$50 Family	\$25 Single/\$50 Family

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

²OOP Max includes the deductible.

³Deductible and OOP Max are non-embedded; meaning the individual deductible and OOP max are not applied for an individual family

⁴Deductible and Co-Insurance also applies

Appendix C. - Provider Contract Summary

Service Providers	Cost		Effective Dates
Benefit and Claims Coordination (Actives & Retirees)			
- Premium (Health Advantage)	\$26.70	Per Employee Per Month	For Calendar Year 2015 unless noted
- Classic (Health Advantage)	\$24.60	Per Employee Per Month	
- Basic (Health Advantage)	\$24.60	Per Employee Per Month	
- Primary (QualChoice)	\$23.89	Per Employee Per Month	
Prescription Drugs Claims Administration	<u>All Plans</u>		
- CatamaranRx (Includes staff and Integrail)	\$2.75	Per Member Per Month	
- RDS	\$0.10	Per RDS Member Per Month	
Medical Appeals - UAMS			
- Physician Appeals	\$150.00	Per Physician Appeal	No payment made in 2015
Pharmacy Prior Authorization - EBRx			
- Prior Authorization & on-site pharmacist	\$1.16	Per Employee Per Month	
Pharmacy Appeals - American Health Holding Inc.			
- Physician Appeals	\$150.00	Per Physician Appeal	No payment made in 2015
Medical Utilization Review - American Health Holding, Inc.	\$0.97	Per Member Per Month	
Condition Management - American Health Holding, Inc.	\$3.22	Per Member Per Month	
Case Management - American Health Holding, Inc.	\$0.89	Per Member Per Month	
ACHI	\$0.25	Per Member Per Month	
Life Insurance - Minnesota Life			
- No longer age banded	\$2.50	Per Employee Per Month (actives)	
Employee Assistance Program - ComPsych	\$1.73	Per Employee Per Month	
Health Savings Account (HSA) Administrator - WageWorks	\$1.90	Per Enrolled Employee Per Month	
Flexible Spending Account (FSA) Administrator - WageWorks	\$3.25	Per Enrolled FSA Participant	
COBRA admin fee - WageWorks	\$0.20	Per Active Employee Per Month	
Office of Health Information Technology (Actives and NME Retirees)	\$0.20	Per Employee Per Month	

Appendix D. - Reserve Details

(In Millions \$)	12/31/2013	12/31/2014	12/31/2015	Updated Proj. 12/31/2016
Net Assets (Prior To IBNR)	\$ 79.6	\$ 78.1	\$ 93.9	\$ 82.7
Incurred But Not Recorded Claims	(25.6)	(26.5)	(26.5)	(26.5)
Net Assets After IBNR	\$ 54.0	\$ 51.6	\$ 67.4	\$ 56.2
ALLOCATED RESERVES				
Active/Retiree Premiums for Plan Year	\$ -	\$ -	\$ -	\$ -
Act/Ret Premiums for Next Plan Year	(25.9)	(11.7)	(16.2)	(12.6)
Act/Ret Premiums for Future Years	(15.3)	(3.6)	(12.6)	-
Transitional Reinsurance	-	-	-	-
Catastrophic Reserve	(10.0)	(10.6)	(10.4)	(10.4)
Total Allocated Reserves	\$ (51.1)	\$ (25.9)	\$ (39.2)	\$ (23.0)
Net Assets Available	\$ 2.9	\$ 25.7	\$ 28.2	\$ 33.2

Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements

Appendix E. - Incurred Claims by Vendor and Plan

		3/31/2014	6/30/2014	9/30/2014	12/31/2014	Prior 12 Months	3/31/2015	6/30/2015	9/30/2015	12/31/2015	Last 12 Months
TOTAL (\$000s)	Actual Incurred Claims	\$ 64,581	\$ 62,188	\$ 67,953	\$ 76,940	\$ 271,662	\$ 58,958	\$ 59,474	\$ 69,505	\$ 72,612	\$ 260,549
	Projected	71,583	72,518	73,466	74,428	291,995	63,585	77,440	79,102	83,402	303,529
	Actual vs. Projected	(7,002)	(10,330)	(5,513)	2,512	(20,333)	(4,627)	(17,966)	(9,597)	(10,790)	(42,980)
Medical	All										
	Actual Incurred Claims	\$ 43,655	\$ 43,683	\$ 45,210	\$ 51,648	\$ 184,196	\$ 37,190	\$ 40,665	\$ 45,505	\$ 47,074	\$ 170,434
	Projected	86,497	87,766	89,054	90,361	197,318	70,471	96,265	98,065	105,418	198,821
	Actual vs. Projected	(42,842)	(44,083)	(43,844)	(38,713)	(13,122)	(33,281)	(55,600)	(52,560)	(58,344)	(28,387)
Gold NME/Premium	Actual Incurred Claims	\$ 36,424	\$ 36,530	\$ 36,880	\$ 42,553	\$ 152,387	\$ 31,759	\$ 34,819	\$ 38,774	\$ 39,443	\$ 144,794
	Projected	39,962	40,548	41,143	41,747	163,401	31,958	45,077	45,749	49,339	172,123
	Actual vs. Projected	(3,538)	(4,018)	(4,263)	806	(11,014)	(199)	(10,258)	(6,975)	(9,896)	(27,329)
Silver NME/Classic	Actual Incurred Claims	\$ 1,146	\$ 1,302	\$ 2,005	\$ 1,821	\$ 6,274	\$ 570	\$ 688	\$ 660	\$ 846	\$ 2,764
	Projected	1,526	1,549	1,572	1,595	6,242	648	1,129	1,491	1,531	4,799
	Actual vs. Projected	(380)	(247)	433	226	32	(78)	(441)	(831)	(685)	(2,035)
Bronze NME/Basic	Actual Incurred Claims	\$ 507	\$ 1,048	\$ 1,469	\$ 1,829	\$ 4,854	\$ 159	\$ 260	\$ 301	\$ 360	\$ 1,081
	Projected	1,722	1,747	1,773	1,799	7,040	120	162	217	225	724
	Actual vs. Projected	(85,990)	(86,718)	(87,585)	(88,532)	(192,464)	(70,312)	(96,005)	(97,764)	(105,058)	(197,740)
ME	Actual Incurred Claims	\$ 5,577	\$ 4,804	\$ 4,856	\$ 5,445	\$ 20,682	\$ 4,702	\$ 4,897	\$ 5,770	\$ 6,425	\$ 21,795
	Projected	5,047	5,121	5,196	5,272	20,636	5,908	4,983	5,075	5,210	21,175
	Actual vs. Projected	530	(317)	(340)	173	46	(1,206)	(86)	695	1,215	620
Rx	All										
	Actual Incurred Claims	\$ 16,451	\$ 16,809	\$ 17,413	\$ 18,942	\$ 69,614	\$ 17,333	\$ 18,164	\$ 18,879	\$ 19,550	\$ 73,926
	Projected	18,503	18,730	18,960	19,193	75,387	18,841	19,976	20,468	20,992	80,277
	Actual vs. Projected	(2,052)	(1,921)	(1,547)	(251)	(5,773)	(1,508)	(1,812)	(1,589)	(1,442)	(6,351)
Gold NME/Premium	Actual Incurred Claims	\$ 9,945	\$ 9,977	\$ 10,283	\$ 10,910	\$ 41,115	\$ 10,724	\$ 11,116	\$ 11,292	\$ 11,739	\$ 44,871
	Projected	11,602	11,745	11,889	12,035	47,270	11,995	12,858	13,082	13,319	51,254
	Actual vs. Projected	(1,657)	(1,768)	(1,606)	(1,125)	(6,155)	(1,271)	(1,742)	(1,790)	(1,580)	(6,383)
Silver NME/Classic	Actual Incurred Claims	\$ 250	\$ 266	\$ 292	\$ 285	\$ 1,093	\$ 25	\$ 41	\$ 62	\$ 116	\$ 243
	Projected	449	455	460	466	1,831	39	115	136	193	483
	Actual vs. Projected	5,128	4,349	4,396	4,979	18,851	4,663	4,782	5,634	6,232	21,312
Bronze NME/Basic	Actual Incurred Claims	\$ 57	\$ 98	\$ 148	\$ 229	\$ 531	\$ 7	\$ 16	\$ 32	\$ 34	\$ 90
	Projected	166	168	170	173	678	2	8	13	18	42
	Actual vs. Projected	(109)	(70)	(22)	56	(147)	5	8	19	16	48
ME	Actual Incurred Claims	\$ 6,200	\$ 6,468	\$ 6,689	\$ 7,518	\$ 26,874	\$ 6,578	\$ 6,991	\$ 7,493	\$ 7,660	\$ 28,722
	Projected	6,285	6,363	6,441	6,520	25,609	6,804	6,995	7,237	7,462	28,499
	Actual vs. Projected	(85)	105	248	998	1,265	(226)	(4)	256	198	223
Life	All										
	Actual Incurred Claims	\$ 164	\$ 164	\$ 164	\$ 165	\$ 657	\$ 165	\$ 165	\$ 163	\$ 162	\$ 655
	Projected	236	236	236	236	944	173	173	171	171	689
	Actual vs. Projected	(72)	(72)	(72)	(71)	(287)	(8)	(8)	(8)	(9)	(34)
Expenses (net of other income)	All										
	Actual Incurred Claims	\$ 4,311	\$ 1,532	\$ 5,167	\$ 6,185	\$ 17,195	\$ 4,269	\$ 481	\$ 4,958	\$ 5,826	\$ 15,534
	Projected	4,586	4,586	4,586	4,586	18,346	5,937	5,941	5,930	5,934	23,742
	Actual vs. Projected	(275)	(3,054)	581	1,599	(1,151)	(1,668)	(5,460)	(972)	(108)	(8,208)

Appendix F. - Definitions & Methods

Definitions:

- Actual:** Results based on actual incurred claims and enrollment experience through December 2015, paid through January 2016. Actual incurred reflects an updated estimate of incurred but not recorded (IBNR) claims.
- Projected:** Projections produced for use in setting annual rates. Details on the assumptions & methods used for Cheiron's 2016 and 2015 projections can be found in our November 10, 2015 (for 2016) and our November 10, 2014 (for 2015) letters to Bob Alexander.
- Updated Projections:** Projections produced in June 2015 by Cheiron for 2016 rates, adjusted for actual asset experience through December 2015 and enrollment changes through January 2016.

Methods:

- Updated Projections:** Population projections for the remainder of 2016 assume the same population as January 2016. Claims projections for 2016 use the same method as original projections but are adjusted for count changes and associated expected changes in risk characteristics for each plan in accordance with the population change. *Note that the updated projections presented in this report do NOT reflect updated claims experience.*
- Incurred Claims:** Based on service dates through December 31, 2016 and process dates through January 31, 2016. Claims are before subtracting retiree drug subsidy. A blend of methods based on actuarial judgment was used to estimate the incurred claims by month.
- IBNR (Incurred But Not Recorded) Claim Reserves:** Actual Reserves are those certified by Cheiron in June 2015. Original and updated Reserve projections are based on expected changes in incurred and paid claims. *Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements.*

Qualification Statements:

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

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

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