



## AGENDA

State and Public School Life and Health Insurance Board

May 17, 2016

1:00 p.m.

EBD Board Room – 501 Building, Suite 500

- I. *Call to Order .....Carla Haugen, Chairman*
- II. *Approval of April 19, 2016 & May 11, 2016 Minutes .....Carla Haugen, Chairman*
- III. *ASE-PSE Financials April, 2016 ..... Marla Wallace, EBD Fiscal Officer*
- IV. *Benefits Sub-committee Report ..... Shelby McCook, Benefits Committee Member*
- V. *DUEC New Committee Members Approval..... Dr. Geri Bemberg, UAMS*
- VI. *Comprehensive Primary Care Plus Initiative Dr. Joseph Thompson, Director ACHI*
- VII. *Pharmaceutical Financial Growth Trend of Current Brand-named Drugs ...Dr. Geri Bemberg, UAMS*
- VIII. *2017 Preliminary Rates Update ..... John Colberg & Gaele Gravot, Cherion, Inc.*
- IX. *Director's Report..... Janis Harrison, EBD Interim Director*

### **Upcoming Meetings**

**June 21, 2016; July 19, 2016; August 16, 2016; October 18, 2016; November 15, 2016**

**NOTE: All material for this meeting will be available by electronic means only [ethel.whittaker@dfa.arkansas.gov](mailto: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 May 17, 2016**

The 160<sup>th</sup> meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on May 17, 2016, at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

## **MEMBERS PRESENT**

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

## **MEMBERS ABSENT**

John Kirtley

Janis Harrison, Interim Director, Employee Benefits Division

## **OTHERS PRESENT:**

David Keisner, Sherry Bryant, Dwight Davis, UAMS; Ethel Whittaker, Marla Wallace, Stella Green, Cecilia Walker, Lori Eden, Janna Keathley, Eric Gallo, Terri Freeman, Gretchen Baggett, EBD; Kristi Jackson, Jennifer Vaughn, ComPsych; Pam Lawrence, AHH; Sylvia Landers, Eileen Wider, Minnesota Life; Drew Crawford, Sebco; Mike Boyd, Ronda Walthall, Wayne Whitley, AR Highway & Transportation Dept; Jessica Akins, D.J. Bradley, Health Advantage; John Vinson, Scott Pace, APA; Martha Hill, Mitchell Williams; Bill Clary, H&H; Jackie Baker, ASP; Karyn Langley, Qual Choice; Jim Chapman, Abbvie; Stephen Carroll, Mark Adkison, Allcare; Andy Davis, Arkansas Democrat-Gazette; Allison Drennon; Insurance Advantage; Raina Porchay, Optum Rx; Richelle Brittain; Robyn Keene; Donna Mory; Liz Tullos, WageWorks; Steve Althoff, MTI; Sam Smothers, Astra Zeneca; Justin Allen

## **CALL TO ORDER:**

Meeting was called to order by Carla Haugen, Chairman

**I. APPROVAL OF MINUTES:** *by Carla Haugen, Chairman*

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

**Mallory made the motion to adopt the minutes. Avery seconded; all were in favor.**

**Minutes approved.**

**II. FINANCIALS:** *by Marla Wallace, EBD Fiscal Officer*

Wallace reported financials for April 2016. For March PSE, four (4) weeks of medical and pharmacy claims were paid. There was a gain of \$8 million for the month, and \$21.3 year-to-date. The FICA savings are \$489,000. The net assets available are \$54.2 million.

For ASE the month of April, four (4) weeks of medical and pharmacy claims were paid. There was a gain of \$2.5 million for the month, and the year-to-date gain is \$10 million. The net assets available are \$37.9 million.

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

McCook reported the Benefits Sub-committee met on May 6, 2016. The committee discussed the following topics:

- ASE/PSE April Financials
- 2017 Preliminary Rates Update
- 1<sup>st</sup> Qtr. 2016 HSA Account Information
- Pharmacy Rebate Contracting
- Director's Report

**McCook motioned to adopt the report. Honey seconded; all were in favor.**

**Motion approved.**

**IV. DUEC NEW MEMBER APPROVAL:** *By: Dr. Geri Bemberg, PharmD, EBRx*

Dr. Bemberg introduced Mike Boyd as a potential new member. Bemberg outlined Boyd's expertise in the field of accounting and auditing.

**McCook motioned to accept the recommendation. Honey seconded; all were in favor.**

**Motion approved.**

Dr. Bemberg introduced Laura Mayfield as a potential new member. Bemberg outlined Mayfield's expertise in the field of nursing.

**Mallory motioned to accept the recommendation. Avery seconded; all were in favor.**

**Motion approved.**

**V. COMPREHENSIVE PRIMARY CARE PLUS INITIATIVE:** *by Dr. Joseph Thompson, Director, ACHI*

Dr. Thompson briefly discussed the comprehensive primary care program; the Center for Medicaid-Medicare Services' extension of the original program. Four years ago the State of Arkansas applied and was selected to participate in the program. CMS is seeking multi-player partnerships, including state Medicaid and commercial carriers, for up to 20 regions and 20,000 clinicians. Payers must apply electronically by June 8<sup>th</sup>, regions are selected by CMS in July, and practices within those regions will be chosen in October. The program would reinforce and sustain progress made in Arkansas patient-centered medical homes (PCMHs).

Dr. Thompson is requesting from the Board a letter of support to Health Advantage and their application to the federal government to have the State of Arkansas be selected as a region and continue the previous decision made to support those practices in making the transformation.

**Honey motioned to approve Dr. Thompson's request. Mallory seconded; all were in favor.**

**Motion approved.**

**VI. PHARMACEUTICAL FINANCIAL GROWTH TREND OF CURRENT BRAND-NAMED DRUGS:** *by Dr. Geri Bemberg, EBD PharmD, EBRx.*

At the request of the Board, Dr. Bemberg reported on the increase in pharmacy spending. The following table outlines spending comparison for 2015 vs. 2016:

**1<sup>st</sup> Quarter 2015****1<sup>st</sup> Quarter 2016**

Average Eligible Members	147,136	Average Eligible Members	147,795
Total Rxs	620,184	Total Rxs	632,931
Total Plan Paid	\$27,852,134	Total Plan Paid	\$31,099,153
Rxs PMPM	\$1.41	Rxs PMPM	\$1.43
Plan Paid PMPM	\$63.10	Plan Paid PMPM	\$70.14
Total Rx Cost	\$40,220,781	Total Rx Cost	\$43,564,039
Average Rx Cost	\$64.85	Average Rx Cost	\$68.83
Average Member Copay	\$19.94	Average Member Copay	\$19.69
Member Cost Share	30.75%	Member Cost Share	28.61%
Generic Utilization	89.38%	Generic Utilization	91.15%

**2015 vs. 2016 – What's Changed**

Average Eligible Members	+ 659
Total Rxs	+ 12,747
Total Plan Paid	+ \$3,247,019
Rxs PMPM	+ 0.02
Plan Paid PMPM	+ \$7.04
Total Rx Cost	+ \$3,343,258
Average Rx Cost	+ \$3.98
Average Member Copay	- \$0.25

Member Cost Share	- 2.14%
Generic Utilization	+ 1.77%

Hepatitis C treatment contributed \$622,908 to the \$3.2 million increase. Specialty drugs, inflation due to manufacturer increases, and a small increase in utilization contributed to the increase. In 2015, ten members were successfully treated for Hepatitis C. Currently, for 2016, six members have been treated, and there are three members currently in the program.

The members are enrolled in a case management program whereby tracking is essential. Dr. Bemberg's tracking method includes what drug the member is taking, how long the member has been on the drug, the appeals process, the physician who prescribed the drugs, where the member is employed, and more.

Dr. Thompson inquired about the possibility of evaluating medical tourism as a possible solution to decrease cost, and at what point will medical tourism be reviewed for implementation? Dr. Thompson commented it was less costly for the plan to send members overseas for treatment than to cover the drugs for Hepatitis C treatment.

**VII. 2017 PRELIMINARY RATES UPDATE:** *by John Colberg, Gaelle Gravot, Cheiron Inc.*

Colberg reported on the Medical Trend, Pharmacy Trend, Updated 2016 Projections, and the Preliminary Rate Increase Forecasts.

Claims per-member-per-month for PSE rose from 2015 to 2016 in the Premium plan, the Classic Plan declined, the Basic plan increased, and Medicare eligible increased.

Claims per-member-per-month for ASE for the Premium plan rose from 2015 to 2016, the Classic, Basic, and Medicare eligible also increased.

The Forecast assumptions are:

- Pharmacy reimbursement as approved by the Board in March 2016
- No changes to State contributions for ASE or PSE
- For PSE, assuming 1% annual increase in minimum District contributions after 2017

- 90% wellness participation for PSE; 88% for ASE
- No changes in benefits
- Projections subject to change as a complete experience emerges

Please see attached report for more details.

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

Harrison reported last year the Board directed EBD to develop a proposal to address the two (2) year schools presently covered under the Arkansas State Employee (ASE) ARBenefits plans. The schools were formerly vo-tech schools and were considered state employees, not public school employees. At various times, the vo-tech schools became community colleges or merged with other state entities, including institutions of higher education. Many were allowed to continue health coverage as state employees. As a result, several entities have withdrawn or have notified EBD that they plan to discontinue the ARBenefits health insurance coverage. Based on old and newer legislation EBD has developed a draft proposal for the Board's consideration.

Please see the attached report.

Harrison reported The Office of State Procurement (OSP) issued the following competitive bid proposals for EBD: (1) Software Developer; issued April 26, 2016; bid opening May 19, 2016, (2) Medical Management Services; issued May 4, 2016; bid opening May 25, 2016. Currently, the actuarial consulting solicitation is being developed.

Harrison reported the following are one (1) year renewals: QualChoice, Health Advantage, Minnesota Life, ACHI, and EBRx. Cheiron Inc. is a 3 month special procurement to allow time to develop and issue a competitive bid proposal.

**Meeting adjourned**

**Arkansas State Employees (ASE) Financials - January 1, 2015 through April 30, 2015**

	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
<b>BASIC</b>	922	16		<b>938</b>		1605	30		<b>1635</b>
<b>CLASSIC</b>	1828	53		<b>1881</b>		3118	82		<b>3200</b>
<b>PREMIUM</b>	24506	2165		<b>26671</b>		42801	2802		<b>45603</b>
<b>PRIMARY</b>		222	8711	<b>8933</b>			453	11471	<b>11924</b>
<b>TOTAL</b>	<b>27256</b>	<b>2456</b>	<b>8711</b>	<b>38423</b>		<b>47524</b>	<b>3367</b>	<b>11471</b>	<b>62362</b>

**REVENUES & EXPENDITURES**

	Current Month	Year to Date (4 Months)
<b>Funding</b>		
State Contribution	\$ 14,361,480	\$ 57,430,844
Employee Contribution	\$ 8,034,191	\$ 32,235,170
Other	\$ 47,201	\$ 1,835,143
Allocation for Actives - Plan Year 2015	\$ 971,667	\$ 3,886,667
<b>Total Funding</b>	<b>\$ 23,414,539</b>	<b>\$ 95,387,824</b>
<b>Expenses</b>		
Medical Expenses		
Claims Expense	\$ 10,221,768	\$ 45,165,264
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 924,143	\$ 4,119,251
Refunds	\$ (5,331)	\$ (31,790)
Employee Assistance Program (EAP)	\$ 56,325	\$ 225,886
Life Insurance	\$ 54,924	\$ 220,218
Pharmacy Expenses		
RX Claims	\$ 5,432,301	\$ 20,481,531
RX IBNR	\$ -	\$ -
RX Administration	\$ 212,310	\$ 849,914
Plan Administration	\$ 544,299	\$ 1,544,384
<b>Total Expenses</b>	<b>\$ 17,440,739</b>	<b>\$ 72,574,659</b>
<b>Net Income/(Loss)</b>	<b>\$ 5,973,800</b>	<b>\$ 22,813,165</b>

**BALANCE SHEET**

<b>Assets</b>	
Bank Account	\$ 15,536,022
State Treasury	\$ 81,185,589
Due from Cafeteria Plan	\$ 709,521
Due from PSE	\$ -
Receivable from Provider	\$ -
Accounts Receivable	\$ (51,273)
<b>Total Assets</b>	<b>\$ 97,379,858</b>
<b>Liabilities</b>	
Accounts Payable	\$ 3,758
Deferred Revenues	\$ -
Due to Cafeteria	\$ 1,178
Due to PSE	\$ 343,989
Due to Federal Government (\$44 fee)	\$ -
Health IBNR	\$ 24,700,000
RX IBNR	\$ 1,800,000
<b>Total Liabilities</b>	<b>\$ 26,848,925</b>
<b>Net Assets</b>	<b>\$ 70,530,933</b>
Less Reserves Allocated	
Premiums for Plan Year 1/1/15 - 12/31/15 (\$6,260,000 + \$5,400,000)	\$ (7,773,333)
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)
<b>Net Assets Available</b>	<b>\$ 48,757,600</b>

Fifth Week of Claims \$

**Arkansas State Employees (ASE) Financials - January 1, 2016 through April 30, 2016**

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
<b>BASIC</b>	1262	30		1292	2109	45		2154
<b>CLASSIC</b>	1715	66		1781	2867	90		2957
<b>PREMIUM</b>	23457	2140		25597	40873	2751		43624
<b>PRIMARY</b>		210	9135	9345		429	11955	12384
<b>TOTAL</b>	26434	2446	9135	38015	45849	3315	11955	61119

**REVENUES & EXPENDITURES**

	Current Month	Year to Date (4 Months)
<b>Funding</b>		
1 State Contribution	\$ 14,693,140	\$ 58,773,988
2 Employee Contribution	\$ 7,953,536	\$ 31,939,866
3 Other	\$ 88,630	\$ 2,136,583
4 Allocation of Reserves	\$ 1,350,000	\$ 5,400,000
<b>Total Funding</b>	<u>\$ 24,085,306</u>	<u>\$ 98,250,437</u>
<b>Expenses</b>		
Medical Expenses		
5 Claims Expense	\$ 13,798,594	\$ 55,457,764
6 Claims IBNR	\$ -	\$ -
7 Medical Administration Fees	\$ 1,090,189	\$ 4,389,152
8 Refunds	\$ 105	\$ 105
9 Employee Assistance Program (EAP)	\$ 55,360	\$ 221,499
10 Life Insurance	\$ 79,630	\$ 318,088
Pharmacy Expenses		
11 RX Claims	\$ 6,060,930	\$ 25,711,051
12 RX IBNR	\$ -	\$ -
13 RX Administration	\$ 214,376	\$ 853,410
14 Plan Administration	\$ 290,452	\$ 1,265,982
<b>Total Expenses</b>	<u>\$ 21,589,636</u>	<u>\$ 88,217,050</u>
15 <b>Net Income/(Loss)</b>	\$ 2,495,670	\$ 10,033,387

**BALANCE SHEET**

<b>Assets</b>		
16 Bank Account		\$ 6,966,773
17 State Treasury		\$ 86,399,620
18 Due from Cafeteria Plan		\$ 5,195,886
19 Due from PSE		\$ -
20 Receivable from Provider		\$ -
21 Accounts Receivable		\$ (28,249)
<b>Total Assets</b>		<u>\$ 98,534,030</u>
<b>Liabilities</b>		
22 Accounts Payable		\$ 904
23 Deferred Revenues		\$ -
24 Due to Cafeteria		\$ 266
25 Due to PSE		\$ -
26 Due to Federal Government (\$44 fee)		\$ -
27 Health IBNR		\$ 24,700,000
28 RX IBNR		\$ 1,800,000
<b>Total Liabilities</b>		<u>\$ 26,501,170</u>
<b>Net Assets</b>		\$ 72,032,860
Less Reserves Allocated		
29 Premiums for Plan Year 1/1/16 - 12/31/16 (\$3,600,000 + \$12,600,000)		\$ (10,800,000)
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 <b>Net Assets Available</b>		<u>\$ 37,932,860</u>
34 Fifth Week of Claims \$0		

**Public School Employees (PSE) Financials - January 1, 2015 through April 30, 2015**

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
<b>BASIC</b>	2403	123		2526	3570	148		3718
<b>CLASSIC</b>	21484	1544		23028	39401	1882		41283
<b>PREMIUM</b>	20798	1244		22042	26654	1337		27991
<b>PRIMARY</b>		111	9953	10064		224	10882	11106
<b>TOTAL</b>	<b>44685</b>	<b>3022</b>	<b>9953</b>	<b>57660</b>	<b>69625</b>	<b>3591</b>	<b>10882</b>	<b>84098</b>

**REVENUES & EXPENDITURES**

	Current Month	Year to Date (4 Months)
<b>Funding</b>		
Per Participating Employee Funding (PPE Funding)	\$ 8,236,053	\$ 32,990,625
Employee Contribution	\$ 9,129,112	\$ 36,690,945
Department of Education \$35,000,000 & \$15,000,000	\$ 6,931,818	\$ 36,521,226
Other	\$ 524,714	\$ 2,326,130
Allocation for Actives	\$ 1,666,667	\$ 6,666,667
<b>Total Funding</b>	<b>\$ 26,488,363</b>	<b>\$ 115,195,592</b>
<b>Expenses</b>		
Medical Expenses		
Claims Expense	\$ 10,902,202	\$ 47,605,865
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,534,512	\$ 6,175,057
Refunds	\$ (3,950)	\$ (7,103)
Employee Assistance Program (EAP)	\$ 77,402	\$ 309,933
Pharmacy Expenses		
RX Claims	\$ 3,460,452	\$ 12,659,791
RX IBNR	\$ -	\$ -
RX Administration	\$ 293,645	\$ 1,166,620
Plan Administration	\$ 717,598	\$ 1,885,057
<b>Total Expenses</b>	<b>\$ 16,981,862</b>	<b>\$ 69,795,221</b>
<b>Net Income/(Loss)</b>	<b>\$ 9,506,501</b>	<b>\$ 45,400,371</b>

**BALANCE SHEET**

<b>Assets</b>	
Bank Account	\$ 20,656,235
State Treasury	\$ 88,574,284
Receivable from Provider	\$ -
Accounts Receivable	\$ 4,555,547
Due from ASE	\$ 343,989
<b>Total Assets</b>	<b>\$ 114,130,055</b>
<b>Liabilities</b>	
Accounts Payable	\$ 875
Due to ASE	\$ -
Deferred Revenues	\$ 2,349
Due to Federal Government (\$44 fee)	\$ -
Health IBNR	\$ 28,000,000
RX IBNR	\$ 1,400,000
<b>Total Liabilities</b>	<b>\$ 29,403,224</b>
<b>Net Assets</b>	<b>\$ 84,726,832</b>
Less Reserves Allocated	
Premiums for Plan Year 1/1/15 - 12/31/15 (\$20,000,000 rec'd from Dept. of Education)	\$ (13,333,333)
Premium Assistance (FICA Savings)	\$ (1,894,869)
Catastrophic Reserve (2015 \$10,900,000)	\$ (10,900,000)
<b>Net Assets Available</b>	<b>\$ 58,598,629</b>

**Public School Employees (PSE) Financials - January 1, 2016 through April 30, 2016**

	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
<b>BASIC</b>	3209	226		<b>3435</b>		4834	284		<b>5118</b>
<b>CLASSIC</b>	22023	1811		<b>23834</b>		40926	2198		<b>43124</b>
<b>PREMIUM</b>	19612	978		<b>20590</b>		25342	1051		<b>26393</b>
<b>PRIMARY</b>		82	10738	<b>10820</b>			164	11714	<b>11878</b>
<b>TOTAL</b>	<b>44844</b>	<b>3097</b>	<b>10738</b>	<b>58679</b>		<b>71102</b>	<b>3697</b>	<b>11714</b>	<b>86513</b>

**REVENUES & EXPENDITURES**

	Current Month	Year to Date (4 Months)
<b>Funding</b>		
1 Per Participating Employee Funding (PPE Funding)	\$ 8,184,180	\$ 32,756,757
2 Employee Contribution	\$ 9,300,880	\$ 37,298,500
3 Department of Education \$35,000,000 & \$15,000,000 & Other Funding	\$ 6,931,818	\$ 20,227,273
4 Other	\$ 542,631	\$ 2,479,862
5 Allocation of Reserves	\$ 3,975,000	\$ 15,900,000
<b>Total Funding</b>	<u>\$ 28,934,509</u>	<u>\$ 108,662,391</u>
<b>Expenses</b>		
Medical Expenses		
6 Claims Expense	\$ 14,462,420	\$ 61,584,833
7 Claims IBNR	\$ -	\$ -
8 Medical Administration Fees	\$ 1,631,499	\$ 6,598,673
9 Refunds	\$ -	\$ -
10 Employee Assistance Program (EAP)	\$ 77,537	\$ 310,393
Pharmacy Expenses		
11 RX Claims	\$ 3,938,018	\$ 15,712,331
12 RX IBNR	\$ -	\$ -
13 RX Administration	\$ 310,608	\$ 1,233,052
14 Plan Administration	\$ 428,527	\$ 1,870,490
<b>Total Expenses</b>	<u>\$ 20,848,609</u>	<u>\$ 87,309,774</u>
16 <b>Net Income/(Loss)</b>	\$ 8,085,900	\$ 21,352,618

**BALANCE SHEET**

<b>Assets</b>	
17 Bank Account	\$ 23,493,846
18 State Treasury	\$ 108,913,869
19 Receivable from Provider	\$ -
20 Accounts Receivable	\$ 5,151,907
21 Due from ASE	\$ -
<b>Total Assets</b>	<u>\$ 137,559,622</u>
<b>Liabilities</b>	
22 Accounts Payable	\$ 379
23 Due to ASE	\$ -
24 Deferred Revenues	\$ -
25 Due to Federal Government (\$44 fee)	\$ -
26 Health IBNR	\$ 28,000,000
27 RX IBNR	\$ 1,400,000
<b>Total Liabilities</b>	<u>\$ 29,400,379</u>
28 <b>Net Assets</b>	\$ 108,159,243
Less Reserves Allocated	
29 Premiums for Plan Year 1/1/16 - 12/31/16 (\$9,600,000 + \$20,000,000 DOE + 18,100,000 DOE)	\$ (31,800,000)
30 Premiums for Plan Year 1/1/17 - 12/31/17 (\$5,760,000)	\$ (5,760,000)
31 Premiums for Plan Year 1/1/18 - 12/31/18 (\$3,840,000)	\$ (3,840,000)
33 Premium Assistance (FICA Savings)	\$ (1,961,078)
32 Catastrophic Reserve (2016 \$10,500,000)	\$ (10,500,000)
34 <b>Net Assets Available</b>	<u>\$ 54,298,165</u>
35 Fifth Week of Claims	\$ 0

# Pharmacy Plan Spend

Geri Beth Bemberg, Pharm.D.

# 2015 vs. 2016

1 <sup>st</sup> Quarter 2015		1 <sup>st</sup> Quarter 2016	
Avg Eligible Members	147,136	Avg Eligible Members	147,795
Totals Rxs	620,184	Total Rxs	632,931
Total Plan Paid	\$27,852,134	Total Plan Paid	\$31,099,153
Rxs PMPM	1.41	Rxs PMPM	1.43
Plan Paid PMPM	\$63.10	Plan Paid PMPM	\$70.14
Total Rx Cost	\$40,220,781	Total Rx Cost	\$43,564,039
Avg Rx Cost	\$64.85	Avg Rx Cost	\$68.83
Avg Member Copay	\$19.94	Avg Member Copay	\$19.69
Member Cost Share	30.75%	Member Cost Share	28.61%
Generic Utilization	89.38%	Generic Utilization	91.15%

# 2015 vs. 2016

## What's Changed?

Average Eligible Members	+ 659
Total Rxs	+ 12,747
Total Plan Paid	+ \$3,247,019
Rxs PMPM	+ 0.02
Plan Paid PMPM	+ \$7.04
Total Rx Cost	+ \$3,343,258
Average Rx Cost	+ \$3.98
Average Member Copay	- \$0.25
Member Cost Share	- 2.14%
Generic Utilization	+ 1.77%

# What contributes to an extra \$3.2 million spend?

- ▶ \$622,908 on Hepatitis C treatment
  - ▶ Specialty Drugs
  - ▶ Inflation due to manufacturer increases
  - ▶ Small increase in utilization
- 

# Hepatitis C

- ▶ \$1,147,946.10 in 2015
- ▶ 10 members completed treatment
- ▶ 3 members started treatment and completed in 2016
- ▶ \$622,908 in Q1 2016
- ▶ 6 members treated
- ▶ 3 members currently being treated
- ▶ Estimated cost for 2016 if no additional approvals–  
\$948,637.54

2015

2016

# Brand vs. Generic

## ▶ Brands

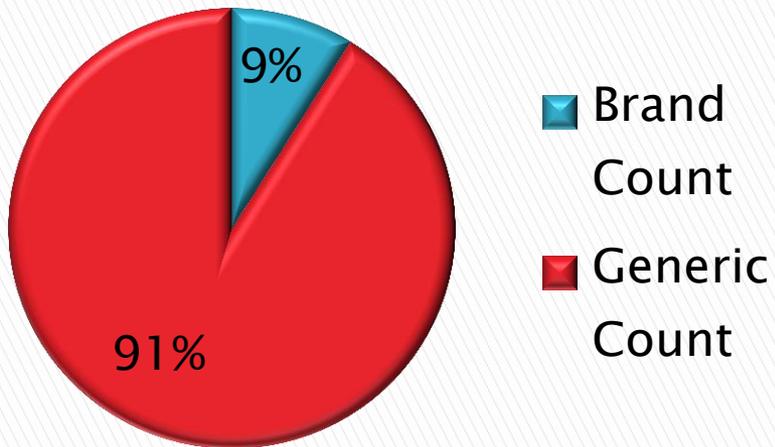
- 9,806 less brand prescriptions in 2016
- Average cost per brand prescription increased from \$301.86 in 2015 to \$401.29 in 2016, a difference of **\$99.43**

## ▶ Generics

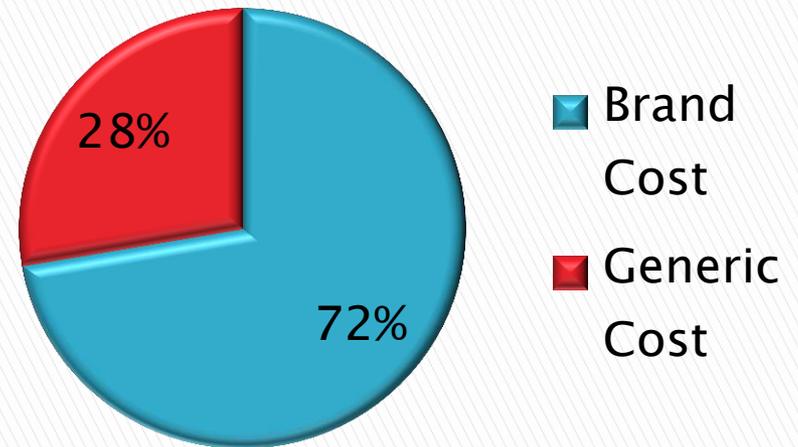
- 22,553 more generic prescriptions in 2016
- Average cost per generic prescription increased from \$14.39 in 2015 to \$14.93 in 2016, a difference of **\$0.54.**

# Brand vs. Generic

## Percentage of Total Claims



## Percentage of Total Plan Cost



# Specialty Utilization

- ▶ For 2015, specialty medications accounted for 34.9% of total plan paid
  - 3.9% greater than in 2014
  - 2.5% less than the government benchmark
- ▶ Member paid share of specialty cost: 3.9%
- ▶ Average plan paid per prescription: \$2,733.96, a 14.1% increase over 2014

# Inflation

- ▶ **Insulin**
  - 17% unit price increase 2014 to 2015
  - Diabetes overall saw an increase of 14.2%
- ▶ **Chronic Inflammatory Agents**
  - 20.5% unit price increase 2014 to 2015
- ▶ **Antineoplastics, Targeted Immune Modulators, and Anticoagulants all had significant inflation Q1 2015 vs. 2016**

# Moving Forward

- ▶ Evidence-Based Rebate Contracting
  - ▶ Continued formulary management to address new drug pipeline/new evidence
  - ▶ Expanded use of reference pricing
  - ▶ Continual assessment of benefit design (i.e. Over the Counter medications, immunizations, etc)
  - ▶ Enhanced pharmacy services – medication adherence, medication synchronization, etc.
- 

Arkansas State Employees  
& Public School Employees  
Health Benefits Program



# Preliminary 2017 (and beyond) Projections

May 17, 2016  
Board Meeting

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



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# Medical Trend



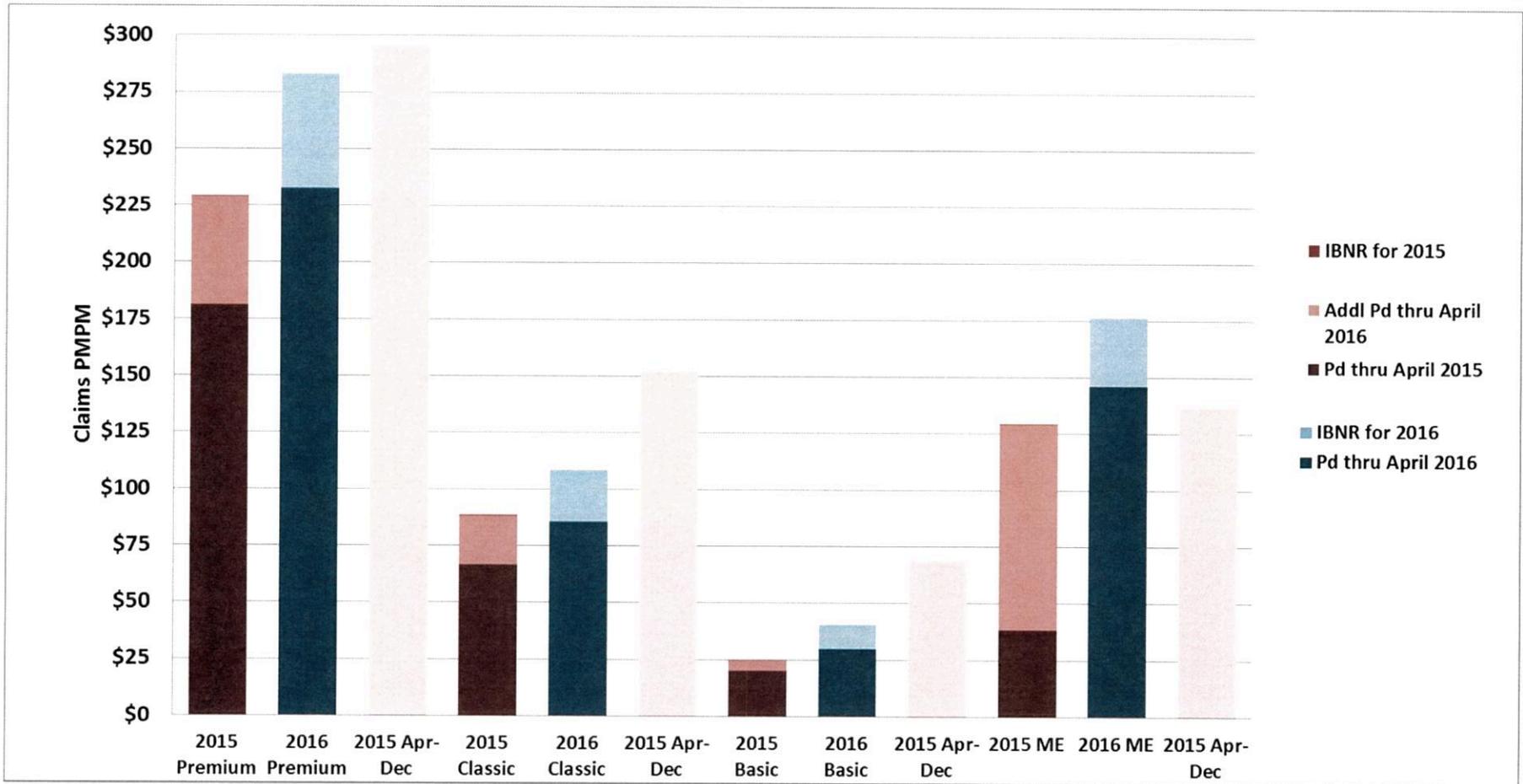
Underlying Trends (*)	ASE	PSE
	PMPM	PMPM
<b>Medical NME only</b>		
- 2009 to 2010	5.8%	4.7%
- 2010 to 2011	2.5%	2.2%
- 2011 to 2012	7.7%	12.8%
- 2012 to 2013	4.2%	-1.8%
- 2013 to 2014	-1.2%	-0.1%
- 2014 to 2015	1.3%	-2.7%
<b>AVERAGE</b>	<b>3.4%</b>	<b>2.4%</b>
<b>Medical ME Only</b>		
- 2009 to 2010	9.0%	8.0%
- 2010 to 2011	0.0%	1.6%
- 2011 to 2012	8.0%	2.9%
- 2012 to 2013	-3.1%	-0.1%
- 2013 to 2014	7.6%	12.2%
- 2014 to 2015	-1.6%	-4.0%
<b>AVERAGE</b>	<b>3.2%</b>	<b>3.3%</b>

\* Underlying trends are adjusted for changes in benefits, geographic and demographic factors

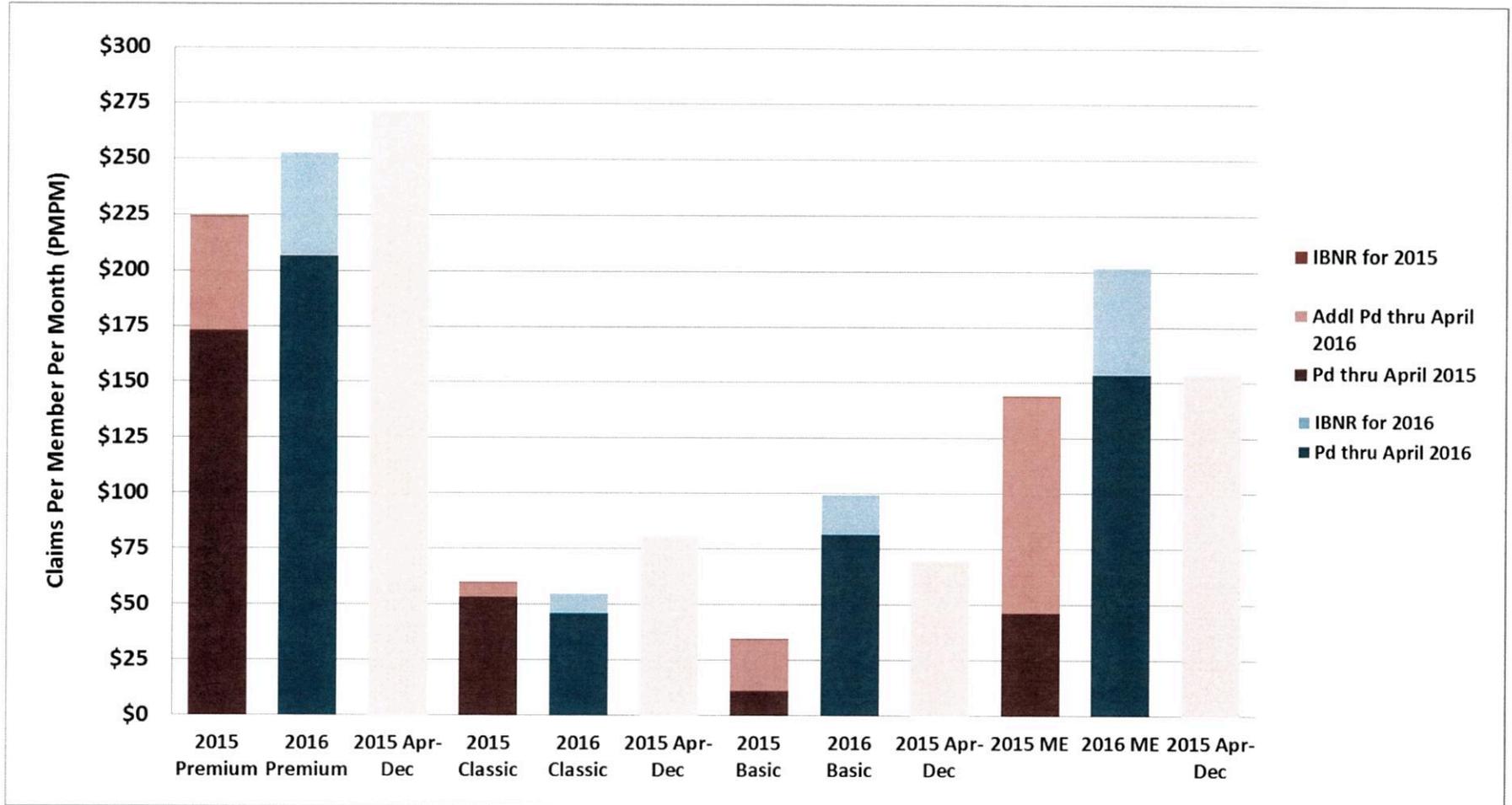
2014 to 2015 Trends are based on claims paid through February 29, 2016, plus estimated runout. As actual runout claims become known, the percentages will likely change.



# Jan - Mar Incurred Medical Claims: PSE



# Jan - Mar Incurred Medical Claims: ASE



# Pharmacy Trend: 2015 vs. 2014



	Unit Cost	Utilization	Total
<b><i>National Average*</i></b>			
Traditional	-2.1%	1.9%	-0.1%
Specialty	11.0%	6.8%	17.7%
<b>Total Overall</b>	<b>3.2%</b>	<b>2.0%</b>	<b>5.2%</b>
<b><i>ASE&amp;PSE</i></b>			
Brand	26.5%	-13.6%	9.3%
Generic	3.0%	0.1%	3.2%
Traditional	7.9%	-1.4%	6.4%
Specialty	5.4%	-5.7%	-0.6%
<b>Total Overall</b>	<b>6.8%</b>	<b>-1.4%</b>	<b>5.3%</b>

\*Per <http://lab.express-scripts.com/drug-trend-report>

*The above figures are before changes in copays & other participant cost sharing.*

# Emerging ASE/PSE Pharmacy Trends



- ASE and PSE Pharmacy trends, NME and ME combined (not adjusted for changes in benefit plans or demographic changes)

## Allowed Costs (before copays/deductibles)

	\$ in Millions	\$ PMPM	% increase
Jan-Apr 2015	\$54.0	\$99.09	
Jan-Apr 2016	\$57.9	\$106.12	7.1%

## Paid Amounts

	\$ in Millions	\$ PMPM	% increase
Jan-Apr 2015	\$37.7	\$69.22	
Jan-Apr 2016	\$41.6	\$76.26	10.2%

# Updated Projections for 12/31/2016



(In Millions \$)

PSE	As of	12/31/2015	Projection	Projection
			Base Trend	12% Trend
			12/31/2016	12/31/2016
Net Assets before IBNR	\$	132.1	\$ 140.3	\$ 128.1
IBNR Reserve		(29.4)	(29.4)	(29.4)
Reserve for Current and Future Premiums		(57.3)	(47.7)	(47.7)
Catastrophic Reserve		(10.9)	(10.5)	(10.5)
<b>Net Assets Available</b>	<b>\$</b>	<b>34.5</b>	<b>\$ 52.7</b>	<b>\$ 40.5</b>

## ASE

Net Assets before IBNR	\$	93.9	\$ 90.4	\$ 80.0
IBNR Reserve		(26.5)	(26.5)	(26.5)
Reserve for Current and Future Premiums		(28.8)	(12.6)	(12.6)
Catastrophic Reserve		(10.4)	(10.7)	(10.7)
<b>Net Assets Available</b>	<b>\$</b>	<b>28.2</b>	<b>\$ 40.6</b>	<b>\$ 30.2</b>

Base Trend = 6% for medical (actives & NME retirees), 5% for medical (ME retirees), 10% for prescription drugs



# Forecast Assumptions



- Based on actual April 2016 enrollment and calendar year 2015 claims paid through April 2016
  - Net Migration of approximately 600 ASE and 600 PSE active employees from Premium to Basic annually
  - No growth in actives or NME retirees after 2017
  - Annual Growth of 400 ME retirees for PSE and 200 ME retirees for ASE
- “Base” trends of
  - 6% medical for actives & NME retirees (to allow for resuming to positive trend environment plus leveraging)
  - 10% pharmacy (national average projection plus leveraging)
  - 5% medical for Medicare Eligible retirees
- Pharmacy reimbursement as approved by the Board in March 2016
- **No changes to State contributions for ASE or PSE**
- For PSE, assuming 1% annual increase in minimum District contributions after 2017
- 90% wellness participation for PSE; 88% for ASE
- No changes in benefits
- Projections subject to change as more complete experience emerges

# Rate Change Forecast: PSE



Increase in employee and retiree contribution rates from the prior year.

	2016	2017	2018	2019	2020
<b>Trend Scenario</b>	<b>Base</b>	<b>Base</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>
<b>Rate Increase</b>	NA	0%	0%	1%	27%
<b>Trend Scenario</b>	<b>12%</b>	<b>8%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>
<b>Rate Increase</b>	NA	0%	9%	24%	17%
<b>Trend Scenario</b>	<b>Base</b>	<b>Base</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
<b>Rate Increase</b>	NA	0%	0%	0%	0%
<b>Trend Scenario</b>	<b>12%</b>	<b>8%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
<b>Rate Increase</b>	NA	0%	0%	17%	12%

Rate increases are shown in aggregate; however allocation to specific plan options, family status, or retiree coverage status may differ significantly

# Rate Change Forecast: ASE



Increase in employee and retiree contribution rates from the prior year.

	2016	2017	2018	2019	2020
<b>Trend Scenario</b>	<b>Base</b>	<b>Base</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>
<b>Rate Increase</b>	NA	<b>0%</b>	<b>6%</b>	<b>32%</b>	<b>20%</b>
<b>Trend Scenario</b>	<b>12%</b>	<b>8%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>
<b>Rate Increase</b>	NA	<b>0%</b>	<b>38%</b>	<b>22%</b>	<b>18%</b>
<b>Trend Scenario</b>	<b>Base</b>	<b>Base</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
<b>Rate Increase</b>	NA	<b>0%</b>	<b>0%</b>	<b>20%</b>	<b>14%</b>
<b>Trend Scenario</b>	<b>12%</b>	<b>8%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
<b>Rate Increase</b>	NA	<b>0%</b>	<b>25%</b>	<b>16%</b>	<b>13%</b>

Rate increases do not reflect any potential change in the state contribution rate per budgeted position. Such increases would reduce the percentages shown.

Rate increases are shown in aggregate; however allocation to specific plan options, family status, or retiree coverage status may differ significantly

## Next Steps (June Benefits Committee)



- Evaluate impact of
  - Changes to reserve allocation formula
    - Currently 50% year 1, 30% year 2, 20% year 3
    - Example alternative 40% year 1, 30% year 2, 20% year 3, 10% year 4
  - Rate increases above minimum
  - Other?
- Reflect experience through May (where possible)



Classic Values, Innovative Advice.

***Cheiron** (pronounced kī·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

5/17/2016

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# Appendix A – PSE Actives

## 2016 Final Rate Details



Actives	Unadjusted Total Rate	Direct State Contrib. & FICA	Reserve Used / (Added)	School District Contrib.	2016 Employee Cost with & without Wellness Visit		2015 Employee Cost	Change in EE Cost (\$/%) with & without Wellness Credit				Assumed Enrollment
					with	without*		with		without		
<b>Premium</b>												
Employee Only	\$590.40	\$236.11	\$20.43	\$154.48	\$179.38	\$254.38	\$179.38	\$0.00	0%	\$0.00	0%	17,627
Employee & Spouse	1,308.18	313.83	27.15	154.48	812.72	887.72	812.72	0.00	0%	0.00	0%	349
Employee & Child(ren)	1,077.80	426.35	36.89	154.48	460.08	535.08	460.08	0.00	0%	0.00	0%	2,131
Family	1,795.58	760.40	65.78	154.48	814.92	889.92	814.92	0.00	0%	0.00	0%	459
<b>Est. Monthly Total (\$mil)</b>	<b>\$14.0</b>	<b>\$5.5</b>	<b>\$0.5</b>	<b>\$3.2</b>	<b>\$4.8</b>	<b>\$0.1</b>	<b>\$4.8</b>	<b>\$0.0</b>	<b>0%</b>	<b>\$0.0</b>	<b>0%</b>	<b>20,566</b>
<b>Classic</b>												
Employee Only	\$270.02	\$64.92	\$5.62	\$154.48	\$45.00	\$120.00	\$45.00	\$0.00	0%	\$0.00	0%	12,885
Employee & Spouse	562.28	56.20	4.86	154.48	346.74	421.74	346.74	0.00	0%	0.00	0%	1,260
Employee & Child(ren)	468.48	146.43	12.67	154.48	154.90	229.90	154.90	0.00	0%	0.00	0%	4,403
Family	760.74	235.52	20.38	154.48	350.36	425.36	350.36	0.00	0%	0.00	0%	2,734
<b>Est. Monthly Total (\$mil)</b>	<b>\$8.3</b>	<b>\$2.2</b>	<b>\$0.2</b>	<b>\$3.3</b>	<b>\$2.7</b>	<b>\$0.1</b>	<b>\$2.7</b>	<b>\$0.0</b>	<b>0%</b>	<b>\$0.0</b>	<b>0%</b>	<b>21,283</b>
<b>Basic</b>												
Employee Only	\$133.02	\$0.00	(\$32.46)	\$154.48	\$11.00	\$86.00	\$11.00	\$0.00	0%	\$0.00	0%	1,839
Employee & Spouse	242.22	0.00	(178.98)	154.48	266.72	341.72	266.72	0.00	0%	0.00	0%	111
Employee & Child(ren)	207.18	0.00	(66.46)	154.48	119.16	194.16	119.16	0.00	0%	0.00	0%	213
Family	316.38	0.00	(107.60)	154.48	269.50	344.50	269.50	0.00	0%	0.00	0%	224
<b>Est. Monthly Total (\$mil)</b>	<b>\$0.4</b>	<b>\$0.0</b>	<b>(\$0.1)</b>	<b>\$0.4</b>	<b>\$0.1</b>	<b>\$0.0</b>	<b>\$0.1</b>	<b>\$0.0</b>	<b>0%</b>	<b>\$0.0</b>	<b>0%</b>	<b>2,386</b>
<b>Total (Monthly) (\$ mil)</b>	<b>\$22.7</b>	<b>\$7.7</b>	<b>\$0.6</b>	<b>\$6.8</b>	<b>\$7.6</b>	<b>\$0.2</b>	<b>\$7.6</b>	<b>\$0.0/\$0.0</b>		<b>0%0%</b>		<b>44,235</b>
<b>Est Annual Total (\$ mil)</b>	<b>\$272.4</b>	<b>\$92.7</b>	<b>\$6.6</b>	<b>\$82.0</b>	<b>\$91.1</b>	<b>\$2.0</b>	<b>\$91.1</b>	<b>\$0.0/\$0.0</b>		<b>0%0%</b>		
<b>Total Active &amp; Ret (\$ mil)</b>	<b>\$310.7</b>	<b>\$92.7</b>	<b>\$9.6</b>	<b>\$82.0</b>	<b>\$126.3</b>	<b>\$2.0</b>	<b>\$126.3</b>	<b>\$0.0</b>	<b>0%</b>	<b>\$2.0</b>	<b>2%</b>	<b>58,653</b>

\*Already subtracted from Total Rates



Classic Values, Innovative Advice

5/17/2016

# Appendix A – PSE Retirees

## Non-Medicare Eligible 2016 Final Rate Details



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

# Appendix A – PSE Retirees

## Medicare Eligible 2016 Final Rate Details



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

# Appendix A – ASE Actives

## 2016 Final Rate Details



Actives	Risk Adjusted Total Rate	State Contrib. & FICA	Reserve Used / (Added)	2016 Employee Cost with & without Wellness Visit		2015 Employee Cost	Change in EE Cost (\$/%) with & without Wellness Credit				Assumed Enrollment	
				with	without*		with		without			
<b>Premium</b>												
Employee Only	\$459.96	\$325.41	\$29.77	\$104.78	\$179.78	\$104.78	\$0.00	0%	\$0.00	0%	14,489	
Employee & Spouse	1,024.48	591.31	54.09	379.08	454.08	379.08	0.00	0%	0.00	0%	2,371	
Employee & Child(ren)	766.76	510.06	46.66	210.04	285.04	210.04	0.00	0%	0.00	0%	5,506	
Family	1,331.28	775.96	70.98	484.34	559.34	484.34	0.00	0%	0.00	0%	2,157	
<b>Est. Monthly Total (\$mil)</b>	<b>\$16.2</b>	<b>\$10.6</b>	<b>\$1.0</b>	<b>\$4.6</b>	<b>\$0.1</b>	<b>\$4.6</b>	<b>\$0.0</b>	<b>0%</b>	<b>\$0.0</b>	<b>0%</b>	<b>24,523</b>	
<b>Classic</b>												
Employee Only	\$401.60	\$325.36	\$29.76	\$46.48	\$121.48	\$46.48	\$0.00	0%	\$0.00	0%	1,133	
Employee & Spouse	888.46	591.35	54.09	243.02	318.02	243.02	0.00	0%	0.00	0%	156	
Employee & Child(ren)	666.20	510.08	46.66	109.46	184.46	109.46	0.00	0%	0.00	0%	326	
Family	1,153.06	776.07	70.99	306.00	381.00	306.00	0.00	0%	0.00	0%	196	
<b>Est. Monthly Total (\$mil)</b>	<b>\$1.0</b>	<b>\$0.8</b>	<b>\$0.1</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>0%</b>	<b>\$0.0</b>	<b>0%</b>	<b>1,811</b>	
<b>Basic</b>												
Employee Only	\$355.16	\$325.39	\$29.77	\$0.00	\$75.00	\$0.00	\$0.00	n/a	\$0.00	0%	570	
Employee & Spouse	777.90	591.33	54.09	132.48	207.48	132.48	0.00	0%	0.00	0%	94	
Employee & Child(ren)	584.92	510.10	46.66	28.16	103.16	28.16	0.00	0%	0.00	0%	115	
Family	1,007.66	776.03	70.99	160.64	235.64	160.64	0.00	0%	0.00	0%	123	
<b>Est. Monthly Total (\$mil)</b>	<b>\$0.5</b>	<b>\$0.4</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>0%</b>	<b>\$0.0</b>	<b>0%</b>	<b>902</b>	
<b>Total (Monthly) (\$ mil)</b>	<b>\$17.7</b>	<b>\$11.8</b>	<b>\$1.1</b>	<b>\$4.8</b>	<b>\$0.1</b>	<b>\$4.8</b>	<b>\$0.0/\$0.0</b>		<b>0%/0%</b>		<b>27,236</b>	
<b>Est Annual Total (\$ mil)</b>	<b>\$212.3</b>	<b>\$141.3</b>	<b>\$12.9</b>	<b>\$58.1</b>	<b>\$1.2</b>	<b>\$58.1</b>	<b>\$0.0/\$0.0</b>		<b>0%/0%</b>			
<b>Total Active &amp; Ret (\$ mil)</b>	<b>\$288.7</b>	<b>\$176.8</b>	<b>\$16.2</b>	<b>\$95.7</b>	<b>\$1.2</b>	<b>\$95.7</b>	<b>\$0.0</b>	<b>0%</b>	<b>\$1.2</b>	<b>1%</b>	<b>38,915</b>	

\*Already subtracted from Total Rates



# Appendix A – ASE Retirees: Non-Medicare Eligible 2016 Final Rate Details



NME Retirees	Risk Adjusted Total Rate	State Contrib.	Reserve Used / (Added)	2016 Retiree Cost	2015 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
<b>Premium</b>								
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
<b>Est. Monthly Total (\$mil)</b>	<b>\$1.5</b>	<b>\$0.6</b>	<b>\$0.1</b>	<b>\$0.9</b>	<b>\$0.9</b>	<b>\$0.0</b>	<b>0%</b>	<b>2,417</b>
<b>Classic</b>								
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
<b>Est. Monthly Total (\$mil)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>0%</b>	<b>60</b>
<b>Basic</b>								
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
<b>Est. Monthly Total (\$mil)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>0%</b>	<b>20</b>
<b>Total (Monthly) (\$ mil)</b>	<b>\$1.5</b>	<b>\$0.6</b>	<b>\$0.1</b>	<b>\$0.9</b>	<b>\$0.9</b>	<b>\$0.0</b>	<b>0%</b>	<b>2,498</b>
<b>Est Annual Total (\$ mil)</b>	<b>\$18.6</b>	<b>\$6.9</b>	<b>\$0.6</b>	<b>\$11.0</b>	<b>\$11.0</b>	<b>\$0.0</b>		

# Appendix A – ASE Retirees: Medicare Eligible 2016 Final Rate Details



Medicare Eligible	Risk Adjusted Total Rate	State Contrib.	Reserve Used / (Added)	2016 Retiree Cost	2015 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
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
<b>Est. Monthly Total (\$mil)</b>	<b>\$4.8</b>	<b>\$2.4</b>	<b>\$0.2</b>	<b>\$2.2</b>	<b>\$2.2</b>	<b>\$0.0</b>	<b>0%</b>	<b>9,181</b>
<b>Total (Est. Annual)</b>	<b>\$57.9</b>	<b>\$28.6</b>	<b>\$2.6</b>	<b>\$26.7</b>	<b>\$26.7</b>	<b>\$0.0</b>		

# Appendix B – 2016 Plan Design



<i>Yellow highlight means the coverage is changed</i>	ASE Premium	PSE Premium	ASE Classic	PSE Classic	ASE Basic	PSE Basic
Monthly Plan HSA Contribution (Ind./Family)	n/a	n/a	\$25/\$50	\$0	\$25/\$50	\$0
<b><i>In-Network:</i></b>						
Deductible - Individual	\$500	<b>\$1,000</b>	\$2,500	\$2,000	\$6,450	<b>\$4,250</b>
Co-Insurance Limit - Individual (after Deductible)	\$2,500	\$2,500	\$3,950	\$4,450	n/a	<b>\$2,200</b>
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay) **	\$3,000	<b>\$3,500</b>	<b>\$6,450</b>	<b>\$6,450</b>	<b>\$6,450</b>	<b>\$6,450</b>
Deductible - Family	\$1,000	<b>\$2,000</b>	\$5,000	\$3,000	\$12,900	<b>\$8,500</b>
Co-Insurance Limit - Family (after Deductible)	\$5,000	\$5,000	\$7,900	\$6,675	n/a	<b>\$4,400</b>
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)	\$6,000	<b>\$7,000</b>	<b>\$12,900</b>	<b>\$9,675</b>	<b>\$12,900</b>	<b>\$12,900</b>
Coinsurance Rate	80%/20%	80%/20%	80%/20%	80%/20%	100%/0%	80%/20%
Physician Office Visit - Primary Care - Co-Pay	\$25	\$25				
Physician Office Visit - Specialist - Co-Pay	\$50	\$50				
Rx - Deductible	None	None	Incl. w/ Med.	Incl. w/ Med.	Incl. w/ Med.	Incl. w/ Med.
Rx - Tier 1 - Generic	\$15	\$15	**	**	**	**
Rx - Tier 2 - Preferred Brand	\$40	\$40	**	**	**	**
Rx - Tier 3 - Non-Preferred Brand	\$80	\$80	not covered	not covered	not covered	not covered
Rx - Specialty	\$100	\$100	**	**	**	**
Rx - Out of Pocket Maximum (Individual/Family)	\$3,600/\$7,200	<b>\$3,100/\$6,200</b>	n/a	n/a	n/a	n/a
Hospital / Facility - Inpatient & SNF - Co-Pay Per Admission*	\$0	\$0				
Hospital / Facility - Outpatient - Co-Pay*	\$0	\$0				
Urgent Care Visit	\$100	\$100				
Emergency Room Visit	\$250	\$250				
Emergency Transportation - Ambulance	\$50	\$50				
High Tech Radiology - Co-Pay (1st Procedure Only)*	\$0	\$0				
Rehab / Therapy - Outpatient - Physical/Speech/Occup	\$25	\$25				
Rehab / Therapy - Outpatient - Chiropractic - Co-Pay	\$25	\$25				
<b><i>Out-of-Network:</i></b>						
Deductible - Individual/Family	\$2,000/\$4,000	\$2,000/\$4,000	\$4,000/\$8,000	\$3,000/\$6,000	not covered	not covered
Co-Insurance	60%/40%	60%/40%	60%/40%	60%/40%	not covered	not covered
Co-Insurance Limit - Individual/Family (after Deductible)	None	None	None	None	not covered	not covered
Max. Out-of-Pocket (Deductible + Co-Insurance)	None	None	None	None	not covered	not covered

\*Deductible & Co-Insurance also applies

\*\* An embedded individual OOP Max is applied within the family OOP max



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## Appendix C: Pharmacy Reimbursement



- Board adopted MedImpact proposed rates for the large majority of pharmacies
  - AWP -15.65% for brand (-13.65% for certain rural pharmacies)
  - Dispensing fee of \$1.50
  - New MAC pricing
- Expected savings of \$16 million (2015)
  - \$8 million to members
  - \$8 million to plan
    - For projections, reduction in 2017 plan costs of approximately 8% for ASE and 4% for PSE
  - Savings could be higher if usual & customary prices remain below AWP – 15.65% for non-MAC generic drugs.

# Appendix D – Use & Disclosures



- Projections are based on Calendar Year 2015 claim experience, paid through April 2016, adjusted for demographic, benefits, and network changes. Additional details about assumptions and methods will be provided in follow-up documentation.
- Estimates of impact of pharmacy changes are intended to be conservative estimates. Our estimates assume the pharmacies' usual and customary rates will be above the discounted AWP or MAC charge, as applicable. Estimates rely on 2015 actual experience without trend and unadjusted for the Medicare Retiree Drug subsidy. Savings for classic and basic are allocated to members according to the member proportion of the original claim.
- 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, and claims data. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. This presentation does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.
- Cheiron's analysis was prepared exclusively for the Employee Benefits Division of the State of Arkansas for the specific purpose of providing projections and options to the Arkansas State and Public School Life and Health Insurance Board. Other users of this document are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.
- The figures in this presentation are preliminary and subject to change or modification as more detailed information is gathered and depending upon decisions made by the Board.

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