



## **AGENDA**

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

**July 19, 2016**

**1:00 p.m.**

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

- I. Call to Order .....Carla Haugen, Chairman*
- II. Approval of May 17, 2016 Minutes .....Carla Haugen, Chairman*
- III. Election of Officers .....Carla Haugen, Chairman*
- IV. ASE-PSE Financials May & June 2016..... Marla Wallace, EBD Fiscal Officer*
- V. Benefits Sub-committee Report .....Shelby McCook, Benefits Committee Member*
- VI. 2017 Benefits Contribution Rates ..... John Colberg & Gaelle Gravot, Cheiron, Inc.*
- VII. Director’s Report..... Chris Howlett, EBD Executive Director*

### ***Upcoming Meetings***

***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 July 19, 2016**

The 161<sup>st</sup> meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on July 19, 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  
John Kirtley  
Dan Honey – Vice Chairman  
Dr. Joseph Thompson  
Janis Harrison  
Angela Avery  
Renee Mallory  
Lori Freno-Engman – Proxy Greg Rogers

## **MEMBERS ABSENT**

Dr. Andrew Kumpuris

Chris Howlett, EBD Executive Director, Employee Benefits Division

## **OTHERS PRESENT:**

Dwight Davis, Geri Bemberg, UAMS; Ethel Whittaker, Matt Turner, 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; Marc Watts, ASEA; Ronda Walthall, Wayne Whitley, AR Highway & Transportation Dept; Jessica Akins, Health Advantage; John Vinson, Scott Pace, APA; Martha Hill, Mitchell Williams; Bill Clary, H&H; Jackie Baker, ASP; Karyn Langlely, Qual Choice; Mark Adkison, Allcare; Andy Davis, Arkansas Democrat-Gazette; Allison Drennon; Insurance Advantage; Liz Tullos, WageWorks; Steve Althoff, MTI; Sam Smothers, Astra Zeneca; Scott McRae, APSRC; Karen Henson, AGFC; David Kissia, AEA; Treg Long, ACS; Shelly Smith, Paula Bettis, Public School Teachers; Sheila Weddington, Diann Gwatney, Retiree; Gary Kees, ARESC; Sean Seago, Merck; Jennifer Smith, ASU; Martha Carlson, ABCBS; Izzy Whittington, Mike Motley, ACHI; Erica Gee, Attorney

## **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 May 17, 2016, minutes.

**Harrison made the motion to adopt the minutes. Honey seconded; all were in favor.**

**Minutes approved.**

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

Wallace reported financials for May & June 2016. For May PSE, four (4) weeks of medical and pharmacy claims were paid. There was a gain of \$2.5 million for the month, and \$23.8 year-to-date. The IBNR for medical increased \$2 million and for pharmacy the decrease was \$300,000. The IBNR for medical is \$28 million and \$1.7 million for pharmacy. Net assets available are \$56.3 million.

For June PSE, six (6) weeks of medical and pharmacy claims were paid. The fifth week of claims was \$4.8 million and the sixth week was \$5.6 million. The transition reinsurance fee of \$500,000 was paid for six months. There was no quarterly payment received from the Department Education. The quarterly rebate amount of \$379,000 was received. The net loss for the month is \$12.6 million. The year-to-date gain is \$11.2 million and net assets are \$43 million.

For ASE during the month of May, four (4) weeks of medical and pharmacy claims were paid. The retiree subsidy received was \$1 million. The medical IBNR decreased to \$3.3 million and the pharmacy IBNR \$100,000. The total IBNR is \$28 million for medical and \$1.7 million for pharmacy. The net loss was \$264,000 for the month. Net assets available are \$37.6 million.

For ASE the month of June, six (6) weeks of medical and pharmacy claims were paid. The fifth week of claims was \$4.6 million and the six weeks of claims was \$5 million. The transition reinsurance fee of \$644,000 was paid for six months. The FICA savings of \$4.2 million was transferred to revenue. The net loss is \$3.6 million for the month, and the net gain is \$6 million year-to-date.

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

The following report resulted from a meeting of the Benefits Sub-Committee on July 08, 2016, with Jeff Altemus presiding.

**Topics Discussed:**

- 2017 Benefits & Contribution Rates
- Director's Report

**2017 Update & Percentage Increases: John Colberg, Cheiron, Inc.**

The committee discussed in detail if there should be an increase in rates, deductibles, and out-of-pocket expenses with no changes to the benefits structure. Some members strongly disagree with an increase in deductibles and out-of-pocket expenses.

After much discussion, the committee voted to recommend to the Board: a 3% increase in rates will be applied for state employees, and a 2% increase for public school employees with no benefit changes, and work with the Legislators for an increase in funding for ASE and PSE.

**Director's Report, Chris Howlett, EBD Executive Director**

Howlett said several members were having difficulties filling their prescriptions due to a miscommunication with the new vendor MedImpact. MedImpact and the Pharmacy Association provided communication to the pharmacies, and EBD provided communication to the Health Insurance Representatives regarding the issue and the solution. Howlett also gave an update of the wellness program discount for the past two plan years.

**IV. 2017 BENEFITS CONTRIBUTION RATES:** *by John Colberg, Gaelle Gravot, Cheiron Inc.*

Colberg reported 2016 financials indicate that medical are showing increases in utilization regarding inpatient, outpatient, and professional services. The most recent projections are based on receiving the minimum contributions from the districts. However, there are school districts and agencies that contribute more than the required amount. Colberg stated both plans have sufficient reserves for retiree and employee contributions to remain the same for 2017.

For 2018, state employees and retirees will require additional contributions from employees and the state to sustain the plan. Colberg stated the Benefits Committee would like to recommend requesting additional state contributions for both plans. For state employees,

the state contributes \$2.00 for every \$1.00 the employee contributes. If there is a 10% increase in total contributions with no additional funding from the state, then there could be as much as a 30% increase in state employee contributions.

For PSE 45% are in the premium plan, 49% are in the classic plan, and 6% are in the basic plan.

McCook inquired has there been changes in reporting in the past five (5) months? Colberg reported no changes.

Dr. Thompson reported that last year a deductible was added to both plans. McCook stated there was an increase in out-of-pocket as well.

Dr. Kirtley has concerns if the increase in out-of-pocket was a sufficient amount to sustain the plan. McCook reported it was a sufficient amount until December 2015.

McCook would like additional information regarding the benefits of the wellness discount.

McCook is concerned with the 9% administrative cost. McCook feels the cost is 4% too much.

**After discussion, McCook recommended a 3% increase for state employees and a 2% increase for public school employees with no changes to the benefits. Harrison seconded.**

**Dr. Kirtley amended the previous motion to increase state employees 5% and 2% for public school employees. Honey seconded.**

**Discussion: McCook does not agree with a 5% increase for state employees with \$2 million available in revenue reserve. Although, Honey agrees with McCook, he still feels there need to be at least a 5% increase for state employees.**

**After discussion McCook called for the question regarding the amended motion: Dr. Kirtley, Dr. Thompson, and Boyd voted yes. The remaining members voted no.**

**Motion not approved.**

**McCook called for the question on the first motion of 3% for state employees and 2% for public school employees, \$75.00 wellness discount, and no changes to the benefits. Dr. Thompson and Dr. Kirtley voted no. The remaining members voted yes.**

**Motion approved.**

**DIRECTOR'S REPORT:** *by Chris Howlett, EBD Executive Director*

Howlett reported the following contracts had been renewed: EBRx and Minnesota Life both renewed in June. Health Advantage and Qual Choice are in their sixth year of a seven-year contract option. ComPsych has also renewed. There is a three-month contract for actuarial services. Currently an RFP is in the process which will provide actuarial services for three years with four additional one-year contract options.

The division is in the process of researching the feasibility to have an EBD Medical interagency agreement with UAMS for more clinical components associated with the utilization to help guide policy and decision making.

Some of the components that are being evaluated are plan designs, funding methodology, and principles of cost sharing to potentially adopt those methods.

Howlett reported EBD is currently working with WageWorks from a legal standpoint to re-negotiate the high fees.

The EBD team is also reviewing the plan design for ways to improve the overall program and service to the members. Funding methods are also being evaluated with the legislation process.

Dr. Kirtley requested a copy of the EBD Medical interagency agreement before it is signed.

Dr. Thompson reported the current Arkansas Works waiver that is currently negotiating with the Department of Human Services and the Federal Government includes the requirement for a wellness visit for those who have premium assistance. Dr. Thompson recommended the wellness visits for the state employees, and the wellness visits for the Medicaid expansion be consistent so that the providers can respond in the correct manner. Dr. Thompson reported the Arkansas Center for Health Improvement and the Quality of Care and Benefits Sub-committee would work closely together on this project.

Haugen thanked the Benefits Sub-committee, John Colberg, and the Director, Chris Howlett for all their hard work.

**Kirtley motioned to recommend that the current officers will serve an additional year. McCook seconded; all were in favor.**

**Motion approved.**

**Dr. Thompson moved to adjourn. Honey seconded; all were in favor.**

**Meeting adjourned.**



**Public School Employees (PSE) Financials - January 1, 2016 through May 31, 2016**

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	3219	219		3438	4847	274		5121
CLASSIC	22005	1776		23781	40929	2156		43085
PREMIUM	19539	957		20496	25276	1027		26303
PRIMARY		87	10781	10868		174	11758	11932
<b>TOTAL</b>	<b>44763</b>	<b>3039</b>	<b>10781</b>	<b>58583</b>	<b>71052</b>	<b>3631</b>	<b>11758</b>	<b>86441</b>

**REVENUES & EXPENDITURES**

	Current Month	Year to Date (5 Months)
<b>Funding</b>		
1 Per Participating Employee Funding (PPE Funding)	\$ 8,185,530	\$ 40,942,287
2 Employee Contribution	\$ 9,282,759	\$ 46,581,259
3 Department of Education \$35,000,000 & \$15,000,000 & Other Funding	\$ 3,181,818	\$ 23,409,091
4 Other	\$ 542,391	\$ 3,022,254
5 Allocation of Reserves	\$ 3,975,000	\$ 19,875,000
<b>Total Funding</b>	<b>\$ 25,167,499</b>	<b>\$ 133,829,890</b>
<b>Expenses</b>		
Medical Expenses		
6 Claims Expense	\$ 14,450,491	\$ 76,035,325
7 Claims IBNR	\$ 2,000,000	\$ 2,000,000
8 Medical Administration Fees	\$ 1,624,657	\$ 8,223,330
9 Refunds	\$ -	\$ -
10 Employee Assistance Program (EAP)	\$ 77,580	\$ 387,973
Pharmacy Expenses		
11 RX Claims	\$ 3,936,558	\$ 19,648,889
12 RX IBNR	\$ (300,000)	\$ (300,000)
13 RX Administration	\$ 310,890	\$ 1,543,942
14 Plan Administration	\$ 544,534	\$ 2,415,024
<b>Total Expenses</b>	<b>\$ 22,644,709</b>	<b>\$ 109,954,483</b>
16 <b>Net Income/(Loss)</b>	<b>\$ 2,522,790</b>	<b>\$ 23,875,407</b>

**BALANCE SHEET**

<b>Assets</b>		
17 Bank Account		\$ 23,082,656
18 State Treasury		\$ 108,929,531
19 Receivable from Provider		\$ -
20 Accounts Receivable		\$ 5,782,604
21 Due from ASE		\$ 12,620
<b>Total Assets</b>		<b>\$ 137,807,412</b>
<b>Liabilities</b>		
22 Accounts Payable	\$ 379	
23 Due to ASE	\$ -	
24 Deferred Revenues	\$ -	
25 Due to Federal Government (\$44 fee)	\$ -	
26 Health IBNR	\$ 30,000,000	
27 RX IBNR	\$ 1,100,000	
<b>Total Liabilities</b>	<b>\$ 31,100,379</b>	
28 <b>Net Assets</b>		<b>\$ 106,707,033</b>
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)	\$ (27,825,000)	
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)	\$ (2,452,015)	
32 Catastrophic Reserve (2016 \$10,500,000)	\$ (10,500,000)	
34 <b>Net Assets Available</b>	<b>\$ 56,330,018</b>	
35 Fifth Week of Claims \$0		

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

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	2402	124		2526	3572	148		3720
CLASSIC	21486	1525		23011	39424	1861		41285
PREMIUM	20769	1205		21974	26619	1296		27915
PRIMARY		109	10002	10111		220	10933	11153
<b>TOTAL</b>	<b>44657</b>	<b>2963</b>	<b>10002</b>	<b>57622</b>	<b>69615</b>	<b>3525</b>	<b>10933</b>	<b>84073</b>

**REVENUES & EXPENDITURES**

<u>Funding</u>	Current Month	Year to Date (5 Months)
Per Participating Employee Funding (PPE Funding)	\$ 8,232,327	\$ 41,222,951
Employee Contribution	\$ 9,183,047	\$ 45,873,992
Department of Education \$35,000,000 & \$15,000,000	\$ 3,181,818	\$ 39,703,044
Other	\$ 519,386	\$ 2,845,516
Allocation for Actives	\$ 1,666,667	\$ 8,333,333
<b>Total Funding</b>	<b>\$ 22,783,245</b>	<b>\$ 137,978,837</b>
<b>Expenses</b>		
Medical Expenses		
Claims Expense	\$ 16,759,518	\$ 64,365,383
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,701,710	\$ 7,876,768
Refunds	\$ (59,400)	\$ (66,503)
Employee Assistance Program (EAP)	\$ 77,305	\$ 387,238
Pharmacy Expenses		
RX Claims	\$ 5,398,360	\$ 18,058,151
RX IBNR	\$ -	\$ -
RX Administration	\$ 293,522	\$ 1,460,142
Plan Administration	\$ 540,347	\$ 2,425,405
<b>Total Expenses</b>	<b>\$ 24,711,363</b>	<b>\$ 94,506,584</b>
<b>Net Income/(Loss)</b>	<b>\$ (1,928,118)</b>	<b>\$ 43,472,253</b>

**BALANCE SHEET**

<b>Assets</b>	
Bank Account	\$ 14,695,349
State Treasury	\$ 88,583,540
Receivable from Provider	\$ -
Accounts Receivable	\$ 7,254,032
Due from ASE	\$ -
<b>Total Assets</b>	<b>\$ 110,532,922</b>
<b>Liabilities</b>	
Accounts Payable	\$ 875
Due to ASE	\$ -
Deferred Revenues	\$ -
Due to Federal Government (\$44 fee)	\$ -
Health IBNR	\$ 28,000,000
RX IBNR	\$ 1,400,000
<b>Total Liabilities</b>	<b>\$ 29,400,875</b>
<b>Net Assets</b>	<b>\$ 81,132,047</b>
Less Reserves Allocated	
Premiums for Plan Year 1/1/15 - 12/31/15 (\$20,000,000 rec'd from Dept. of Education)	\$ (11,666,667)
Premium Assistance (FICA Savings)	\$ (2,367,786)
Catastrophic Reserve (2015 \$10,900,000)	\$ (10,900,000)
<b>Net Assets Available</b>	<b>\$ 56,197,595</b>

Fifth Week of Claims \$4,396,467

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

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	3126	294		3420	4713	367		5080
CLASSIC	21359	2036		23395	39967	2473		42440
PREMIUM	18711	1009		19720	24326	1078		25404
PRIMARY		85	10972	11057		170	11963	12133
<b>TOTAL</b>	<b>43196</b>	<b>3424</b>	<b>10972</b>	<b>57592</b>	<b>69006</b>	<b>4088</b>	<b>11963</b>	<b>85057</b>

**REVENUES & EXPENDITURES**

<u>Funding</u>	Current Month	Year to Date (6 Months)
1 Per Participating Employee Funding (PPE Funding)	\$ 8,162,176	\$ 49,104,463
2 Employee Contribution	\$ 9,234,827	\$ 55,816,086
3 Department of Education \$35,000,000 & \$15,000,000 & Other Funding	\$ -	\$ 23,409,091
4 Other	\$ 945,408	\$ 3,967,662
5 Allocation of Reserves	\$ 3,975,000	\$ 23,850,000
<b>Total Funding</b>	<b>\$ 22,317,411</b>	<b>\$ 156,147,301</b>
<u>Expenses</u>		
Medical Expenses		
6 Claims Expense	\$ 24,767,657	\$ 100,802,982
7 Claims IBNR	\$ -	\$ 2,000,000
8 Medical Administration Fees	\$ 1,708,437	\$ 9,931,767
9 Refunds	\$ -	\$ -
10 Employee Assistance Program (EAP)	\$ 77,440	\$ 465,413
Pharmacy Expenses		
11 RX Claims	\$ 6,441,278	\$ 26,090,166
12 RX IBNR	\$ -	\$ (300,000)
13 RX Administration	\$ 310,577	\$ 1,854,519
14 Plan Administration	\$ 1,670,753	\$ 4,085,777
<b>Total Expenses</b>	<b>\$ 34,976,142</b>	<b>\$ 144,930,625</b>
16 <b>Net Income/(Loss)</b>	<b>\$ (12,658,731)</b>	<b>\$ 11,216,676</b>

**BALANCE SHEET**

<u>Assets</u>	
17 Bank Account	\$ 15,956,058
18 State Treasury	\$ 108,973,339
19 Receivable from Provider	\$ -
20 Accounts Receivable	\$ 2,943,585
21 Due from ASE	\$ 162
<b>Total Assets</b>	<b>\$ 127,873,144</b>
<u>Liabilities</u>	
22 Accounts Payable	\$ 5,671,958
23 Due to ASE	\$ -
24 Deferred Revenues	\$ 17,058
25 Due to Federal Government (\$27 fee)	\$ 1,010,826
26 Health IBNR	\$ 30,000,000
27 RX IBNR	\$ 1,100,000
<b>Total Liabilities</b>	<b>\$ 37,799,842</b>
28 <b>Net Assets</b>	<b>\$ 90,073,302</b>
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)	\$ (23,850,000)
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)	\$ (2,940,799)
32 Catastrophic Reserve (2016 \$10,500,000)	\$ (10,500,000)
34 <b>Net Assets Available</b>	<b>\$ 43,182,503</b>
35 Fifth Week of Claims \$4,894,322 Sixth Week of Claims \$5,645,196	

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

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	2358	187		2545	3512	230		3742
CLASSIC	20954	1798		22752	38664	2186		40850
PREMIUM	20013	1266		21279	25768	1364		27132
PRIMARY		108	10187	10295		218	11122	11340
<b>TOTAL</b>	<b>43325</b>	<b>3359</b>	<b>10187</b>	<b>56871</b>	<b>67944</b>	<b>3998</b>	<b>11122</b>	<b>83064</b>

**REVENUES & EXPENDITURES**

<u>Funding</u>	Current Month	Year to Date (6 Months)
Per Participating Employee Funding (PPE Funding)	\$ 8,219,486	\$ 49,442,438
Employee Contribution	\$ 9,004,823	\$ 54,878,815
Department of Education \$35,000,000 & \$15,000,000	\$ -	\$ 39,703,044
Other	\$ 966,436	\$ 3,811,952
Allocation for Actives	\$ 1,666,667	\$ 10,000,000
<b>Total Funding</b>	<b>\$ 19,857,411</b>	<b>\$ 157,836,248</b>
<b>Expenses</b>		
Medical Expenses		
Claims Expense	\$ 17,427,282	\$ 81,792,665
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,594,895	\$ 9,471,663
Refunds	\$ -	\$ (66,503)
Employee Assistance Program (EAP)	\$ 77,257	\$ 464,495
Pharmacy Expenses		
RX Claims	\$ 4,655,582	\$ 22,713,733
RX IBNR	\$ -	\$ -
RX Administration	\$ 293,416	\$ 1,753,558
Plan Administration	\$ 2,302,336	\$ 4,727,741
<b>Total Expenses</b>	<b>\$ 26,350,768</b>	<b>\$ 120,857,352</b>
<b>Net Income/(Loss)</b>	<b>\$ (6,493,356)</b>	<b>\$ 36,978,897</b>

**BALANCE SHEET**

<u>Assets</u>	
Bank Account	\$ 11,634,787
State Treasury	\$ 88,604,664
Receivable from Provider	\$ -
Accounts Receivable	\$ 3,842,577
Due from ASE	\$ -
<b>Total Assets</b>	<b>\$ 104,082,028</b>
<u>Liabilities</u>	
Accounts Payable	\$ 77,431
Due to ASE	\$ -
Deferred Revenues	\$ 19,357
Due to Federal Government (\$44 fee)	\$ 1,613,216
Health IBNR	\$ 28,000,000
RX IBNR	\$ 1,400,000
<b>Total Liabilities</b>	<b>\$ 31,110,004</b>
<b>Net Assets</b>	<b>\$ 72,972,024</b>
Less Reserves Allocated	
Premiums for Plan Year 1/1/15 - 12/31/15 (\$20,000,000 rec'd from Dept. of Education)	\$ (10,000,000)
Premium Assistance (FICA Savings)	\$ (2,839,875)
Catastrophic Reserve (2015 \$10,900,000)	\$ (10,900,000)
<b>Net Assets Available</b>	<b>\$ 49,232,149</b>

Fifth Week of Claims \$4,594,234

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**Arkansas State Employees (ASE) Financials - January 1, 2016 through May 31, 2016**

	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	1249	30		1279		2089	45		2134
CLASSIC	1745	66		1811		2913	90		3003
PREMIUM	23351	2125		25476		40700	2737		43437
PRIMARY		212	9162	9374			433	11984	12417
<b>TOTAL</b>	<b>26345</b>	<b>2433</b>	<b>9162</b>	<b>37940</b>		<b>45702</b>	<b>3305</b>	<b>11984</b>	<b>60991</b>

**REVENUES & EXPENDITURES**

<u>Funding</u>	Current Month	Year to Date (5 Months)
1 State Contribution	\$ 14,693,140	\$ 73,467,128
2 Employee Contribution	\$ 7,950,824	\$ 39,890,690
3 Other	\$ 1,101,785	\$ 3,238,368
4 Allocation of Reserves	\$ 1,350,000	\$ 6,750,000
<b>Total Funding</b>	<b>\$ 25,095,749</b>	<b>\$ 123,346,186</b>
<b>Expenses</b>		
Medical Expenses		
5 Claims Expense	\$ 14,077,724	\$ 69,535,489
6 Claims IBNR	\$ 3,300,000	\$ 3,300,000
7 Medical Administration Fees	\$ 1,079,526	\$ 5,468,678
8 Refunds	\$ 55	\$ 160
9 Employee Assistance Program (EAP)	\$ 55,301	\$ 276,800
10 Life Insurance	\$ 79,555	\$ 397,643
Pharmacy Expenses		
11 RX Claims	\$ 6,168,063	\$ 31,879,114
12 RX IBNR	\$ (100,000)	\$ (100,000)
13 RX Administration	\$ 214,067	\$ 1,067,477
14 Plan Administration	\$ 486,326	\$ 1,752,308
<b>Total Expenses</b>	<b>\$ 25,360,618</b>	<b>\$ 113,577,669</b>
15 Net Income/(Loss)	\$ (264,869)	\$ 9,768,518

**BALANCE SHEET**

<u>Assets</u>	
16 Bank Account	\$ 7,776,687
17 State Treasury	\$ 90,904,045
18 Due from Cafeteria Plan	\$ 703,886
19 Due from PSE	\$ -
20 Receivable from Provider	\$ -
21 Accounts Receivable	\$ 746,913
<b>Total Assets</b>	<b>\$ 100,131,531</b>
<u>Liabilities</u>	
22 Accounts Payable	\$ 920
23 Deferred Revenues	\$ -
24 Due to Cafeteria	\$ -
25 Due to PSE	\$ 12,620
26 Due to Federal Government (\$44 fee)	\$ -
27 Health IBNR	\$ 28,000,000
28 RX IBNR	\$ 1,700,000
<b>Total Liabilities</b>	<b>\$ 29,713,541</b>
<b>Net Assets</b>	<b>\$ 70,417,990</b>
Less Reserves Allocated	
29 Premiums for Plan Year 1/1/16 - 12/31/16 (\$3,600,000 + \$12,600,000)	\$ (9,450,000)
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>	<b>\$ 37,667,990</b>
34 Fifth Week of Claims \$0	

**Arkansas State Employees (ASE) Financials - January 1, 2015 through May 31, 2015**

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	936	17		953	1626	33		1659
CLASSIC	1813	53		1866	3096	80		3176
PREMIUM	24364	2142		26506	42512	2775		45287
PRIMARY		217	8741	8958		443	11499	11942
<b>TOTAL</b>	<b>27113</b>	<b>2429</b>	<b>8741</b>	<b>38283</b>	<b>47234</b>	<b>3331</b>	<b>11499</b>	<b>62064</b>

**REVENUES & EXPENDITURES**

<u>Funding</u>	Current Month	Year to Date (5 Months)
State Contribution	\$ 14,368,748	\$ 71,799,592
Employee Contribution	\$ 8,061,863	\$ 40,297,033
Other	\$ 529,661	\$ 2,364,804
Allocation for Actives - Plan Year 2015	\$ 971,667	\$ 4,858,333
<b>Total Funding</b>	<b>\$ 23,931,939</b>	<b>\$ 119,319,763</b>
<b>Expenses</b>		
Medical Expenses		
Claims Expense	\$ 17,573,100	\$ 62,738,364
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,286,852	\$ 5,406,103
Refunds	\$ (57,286)	\$ (89,076)
Employee Assistance Program (EAP)	\$ 56,324	\$ 282,210
Life Insurance	\$ 54,927	\$ 275,145
Pharmacy Expenses		
RX Claims	\$ 8,513,182	\$ 28,994,713
RX IBNR	\$ -	\$ -
RX Administration	\$ 211,746	\$ 1,061,661
Plan Administration	\$ 261,307	\$ 1,805,691
<b>Total Expenses</b>	<b>\$ 27,900,152</b>	<b>\$ 100,474,811</b>
<b>Net Income/(Loss)</b>	<b>\$ (3,968,213)</b>	<b>\$ 18,844,952</b>

**BALANCE SHEET**

<b>Assets</b>	
Bank Account	\$ 10,087,892
State Treasury	\$ 81,194,016
Due from Cafeteria Plan	\$ 709,521
Due from PSE	\$ -
Receivable from Provider	\$ -
Accounts Receivable	\$ 105,433
<b>Total Assets</b>	<b>\$ 92,096,861</b>
<b>Liabilities</b>	
Accounts Payable	\$ 3,758
Deferred Revenues	\$ 2,050
Due to Cafeteria	\$ -
Due to PSE	\$ -
Due to Federal Government (\$44 fee)	\$ -
Health IBNR	\$ 24,700,000
RX IBNR	\$ 1,800,000
<b>Total Liabilities</b>	<b>\$ 26,505,808</b>
<b>Net Assets</b>	<b>\$ 65,591,053</b>
Less Reserves Allocated	
Premiums for Plan Year 1/1/15 - 12/31/15 (\$6,260,000 + \$5,400,000)	\$ (6,801,667)
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>\$ 44,789,387</b>

Fifth Week of Claims \$4,824,735

6

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

BASIC	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
	1267	32		1299		2104	47		2151
CLASSIC	1759	68		1827	2944	92		3036	
PREMIUM	23164	2169		25333	40406	2805		43211	
PRIMARY		212	9217	9429		433	12052	12485	
<b>TOTAL</b>	<b>26190</b>	<b>2481</b>	<b>9217</b>	<b>37888</b>	<b>45454</b>	<b>3377</b>	<b>12052</b>	<b>60883</b>	

**REVENUES & EXPENDITURES**

Funding	Current Month	Year to Date (6 Months)
1 State Contribution	\$ 14,689,808	\$ 88,156,936
2 Employee Contribution	\$ 7,936,486	\$ 47,827,176
3 Other	\$ 5,717,111	\$ 8,955,479
4 Allocation of Reserves	\$ 1,350,000	\$ 8,100,000
<b>Total Funding</b>	<b>\$ 29,693,405</b>	<b>\$ 153,039,592</b>
<b>Expenses</b>		
Medical Expenses		
5 Claims Expense	\$ 21,844,971	\$ 91,380,459
6 Claims IBNR	\$ -	\$ 3,300,000
7 Medical Administration Fees	\$ 1,130,088	\$ 6,598,767
8 Refunds	\$ 105	\$ 265
9 Employee Assistance Program (EAP)	\$ 55,163	\$ 331,963
10 Life Insurance	\$ 79,373	\$ 477,015
Pharmacy Expenses		
11 RX Claims	\$ 8,829,236	\$ 40,708,350
12 RX IBNR	\$ -	\$ (100,000)
13 RX Administration	\$ 214,859	\$ 1,282,336
14 Plan Administration	\$ 1,231,362	\$ 2,983,669
<b>Total Expenses</b>	<b>\$ 33,385,156</b>	<b>\$ 146,962,824</b>
15 Net Income/(Loss)	\$ (3,691,750)	\$ 6,076,767

**BALANCE SHEET**

<b>Assets</b>	
16 Bank Account	\$ 3,514,449
17 State Treasury	\$ 90,940,122
18 Due from Cafeteria Plan	\$ 5,018,599
19 Due from PSE	\$ -
20 Receivable from Provider	\$ -
21 Accounts Receivable	\$ 1,582,039
<b>Total Assets</b>	<b>\$ 101,055,209</b>
<b>Liabilities</b>	
22 Accounts Payable	\$ 5,313,845
23 Deferred Revenues	\$ -
24 Due to Cafeteria	\$ 668
25 Due to PSE	\$ 162
26 Due to Federal Government (\$27 fee)	\$ 664,295
27 Health IBNR	\$ 28,000,000
28 RX IBNR	\$ 1,700,000
<b>Total Liabilities</b>	<b>\$ 35,678,969</b>
<b>Net Assets</b>	<b>\$ 65,376,240</b>
Less Reserves Allocated	
29 Premiums for Plan Year 1/1/16 - 12/31/16 (\$3,600,000 + \$12,600,000)	\$ (8,100,000)
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>	<b>\$ 33,976,240</b>
34 Fifth Week of Claims \$4,601,512 Sixth Week of Claims \$5,197,118.30	

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

	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	958	18		976		1653	34		1687
CLASSIC	1828	60		1888		3117	87		3204
PREMIUM	24174	2192		26366		42214	2839		45053
PRIMARY		218	8807	9025			447	11592	12039
<b>TOTAL</b>	<b>26960</b>	<b>2488</b>	<b>8807</b>	<b>38255</b>		<b>46984</b>	<b>3407</b>	<b>11592</b>	<b>61983</b>

**REVENUES & EXPENDITURES**

<u>Funding</u>	Current Month	Year to Date (6 Months)
State Contribution	\$ 14,356,632	\$ 86,156,224
Employee Contribution	\$ 7,705,220	\$ 48,002,253
Other	\$ 6,660,408	\$ 9,025,212
Allocation for Actives - Plan Year 2015	\$ 971,667	\$ 5,830,000
<b>Total Funding</b>	<b>\$ 29,693,927</b>	<b>\$ 149,013,689</b>
<b>Expenses</b>		
Medical Expenses		
Claims Expense	\$ 16,169,600	\$ 78,907,964
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,099,034	\$ 6,505,138
Refunds	\$ -	\$ (89,076)
Employee Assistance Program (EAP)	\$ 56,126	\$ 338,336
Life Insurance	\$ 54,772	\$ 329,917
Pharmacy Expenses		
RX Claims	\$ 6,915,963	\$ 35,910,676
RX IBNR	\$ -	\$ -
RX Administration	\$ 211,967	\$ 1,273,627
Plan Administration	\$ 1,665,598	\$ 3,471,289
<b>Total Expenses</b>	<b>\$ 26,173,060</b>	<b>\$ 126,647,871</b>
<b>Net Income/(Loss)</b>	<b>\$ 3,520,866</b>	<b>\$ 22,365,818</b>

**BALANCE SHEET**

**Assets**

Bank Account	\$ 8,231,381
State Treasury	\$ 81,213,377
Due from Cafeteria Plan	\$ 5,195,886
Due from PSE	\$ -
Receivable from Provider	\$ -
Accounts Receivable	\$ 1,223,080
<b>Total Assets</b>	<b>\$ 95,863,724</b>

**Liabilities**

Accounts Payable	\$ 94,957
Deferred Revenues	\$ 8,608
Due to Cafeteria	\$ 194
Due to PSE	\$ -
Due to Federal Government (\$44 fee)	\$ 1,119,712
Health IBNR	\$ 24,700,000
RX IBNR	\$ 1,800,000
<b>Total Liabilities</b>	<b>\$ 27,723,472</b>

<b>Net Assets</b>	<b>\$ 68,140,253</b>
Less Reserves Allocated	
Premiums for Plan Year 1/1/15 - 12/31/15 (\$6,260,000 + \$5,400,000)	\$ (5,830,000)
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>\$ 48,310,253</b>

Fifth Week of Claims \$4,482,601

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## **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 July 08, 2016, with Jeff Altemus presiding.

### **Topics Discussed:**

- 2017 Benefits & Contribution Rates
- Director's Report

### **2017 Update & Percentage Increases: John Colberg, Cheiron, Inc.**

The committee discussed in detail if there should be an increase in rates, deductibles, and/or out-of-pocket expenses with no changes to the benefits structure. Some members strongly disagree with an increase in deductibles and out-of-pocket expenses.

After much discussion the committee voted to recommend to the Board; since the projections indicate that ASE is more critical, therefore a 3% increase in rates will be applied for state employees, and a 2% increase for public school employees with no benefit changes, and work with the Legislators for an increase in funding for ASE and PSE.

### **Director's Report, Chris Howlett, EBD Executive Director**

Howlett reported several members were having difficulties filling their prescriptions due to a miscommunication with the new vendor MedImpact. MedImpact, The Pharmacy Association, and EBD provided communication to the Health Insurance Representatives regarding the issue and the solution.

Howlett also gave an update of the wellness program discount for the past two plan years.

# Arkansas State Employees & Public School Employees Health Benefits Program



Classic Values, Innovative Advice

## 2017 Benefits and Contribution Rates

July 12, 2016  
Board Meeting

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

# Topics



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## Appendices

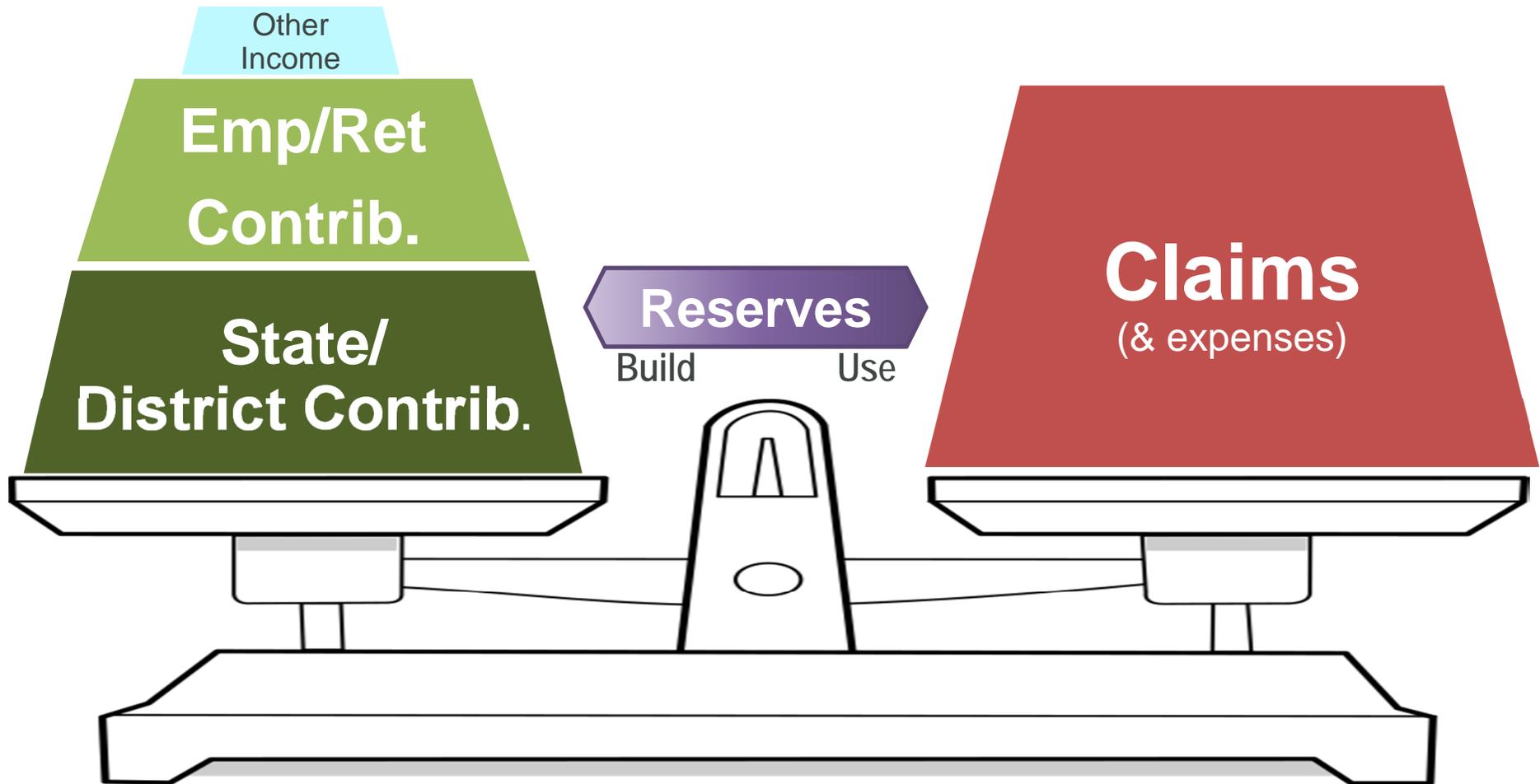
A. 2016 Final Rate Details	28
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# Summary of Benefits Committee Meetings



- Increase in utilization across medical services consistent with sign of 2016 being a “rebound year”
  - Following 3 years of favorable trends
- Both ASE & PSE have enough reserves to keep employee/retiree contributions unchanged for 2017
  - Elimination of unfilled budgeted positions without a compensating increase in the ASE State Contribution rate will accelerate depletion of ASE reserves.
- Significant increases in employee/retiree contributions are expected in future years without increases to State/District contributions or changes in benefits
  - ASE likely to see significant increase in 2018; PSE in 2019.
  - Increases in contribution rates or changes in benefits for 2017 help preserve reserves for future years.
  - Changing approach to ASE Medicare Pharmacy benefits worth considering for 2018 but benefits committee felt 2017 was too soon.
  - Requests for additional state contributions should be made for both ASE & PSE.
- Final 2017 rates (and benefits) needed today
  - Benefits Committee recommends 2% contribution rate increase for PSE, 3% for ASE
  - Benefits Committee recommends no benefit changes for 2017.

# Plan Funding

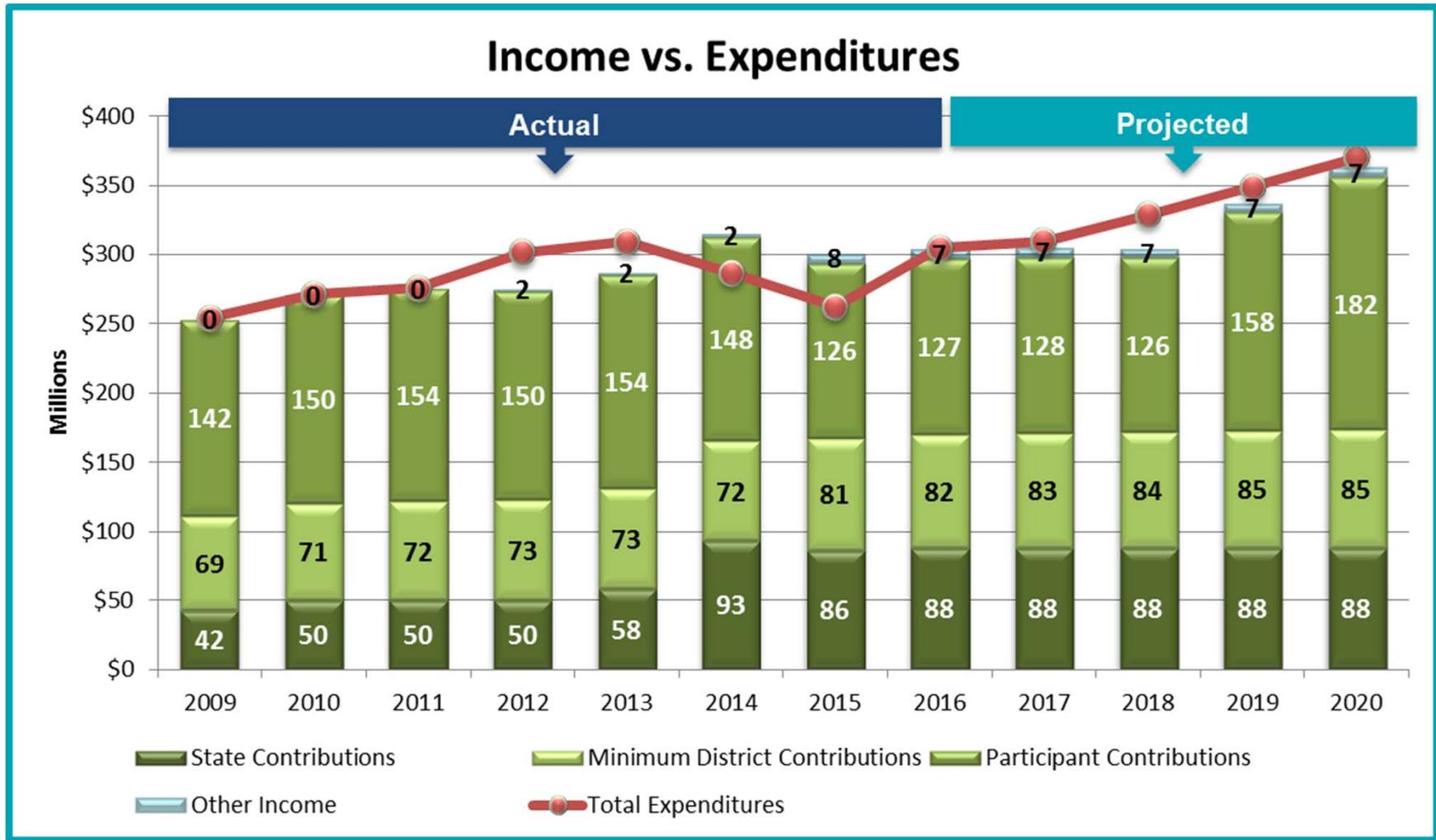


# Today's Meeting vs Future Meetings

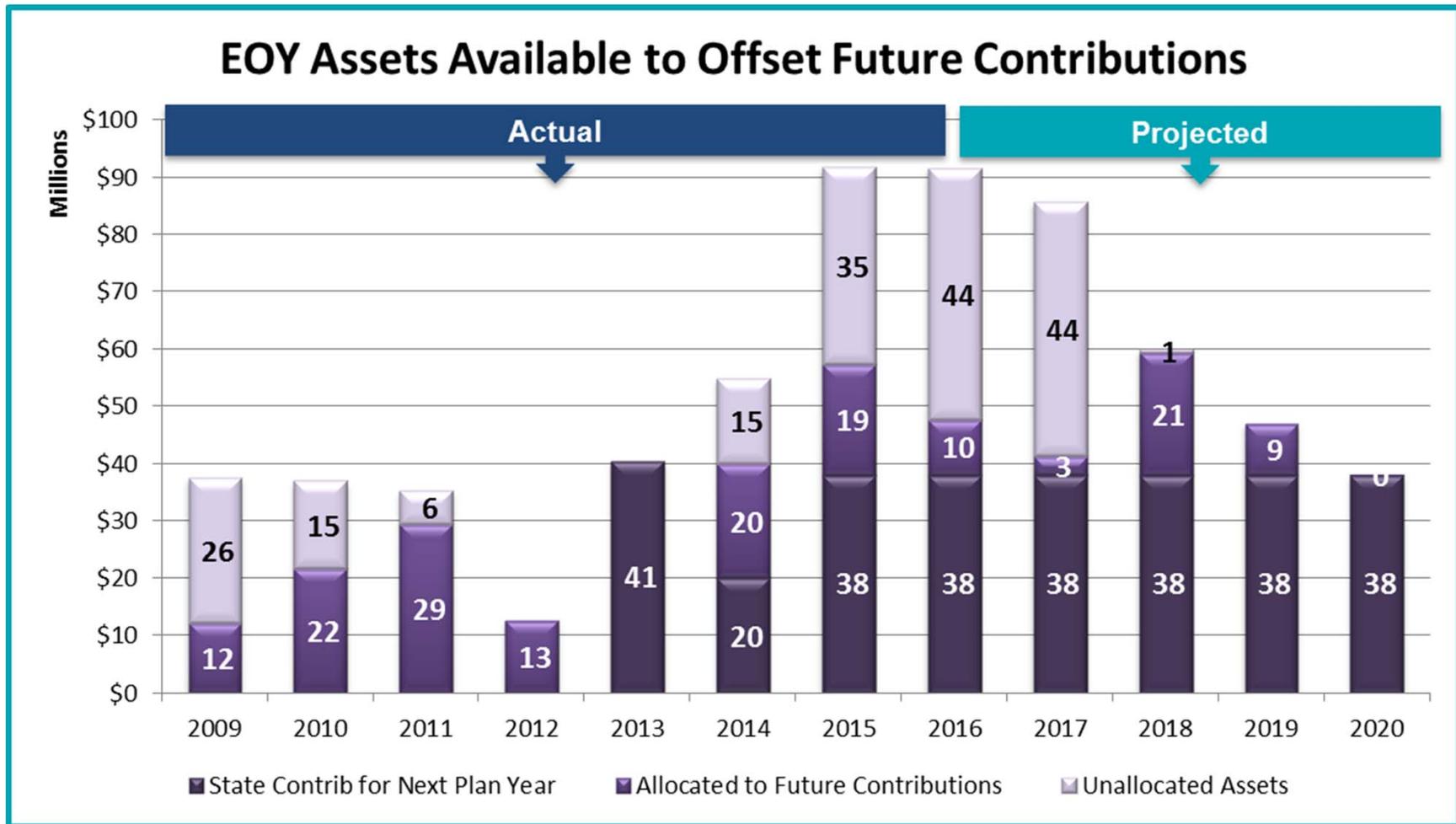


	For 2017 Rates & Benefits (Today's Meeting)	For 2018+ Rates & Benefits (Future Meetings)
Employee/Retiree Contributions	<b>Benefits Committee recommends increase of 2% for PSE and 3% for ASE</b>	See items below to mitigate increases
State/District Contributions	Assume no change	Request increase
Claims (& Expenses)	<b>Benefits Committee recommends no changes</b>	Consider: <ul style="list-style-type: none"> <li>• Alternative Medicare Pharmacy approach</li> <li>• Additional wellness initiatives</li> <li>• Additional cost containment measures</li> <li>• Significant plan design changes</li> <li>• Risk adjusting PSE rates</li> </ul>

# PSE Funding



# PSE Funding

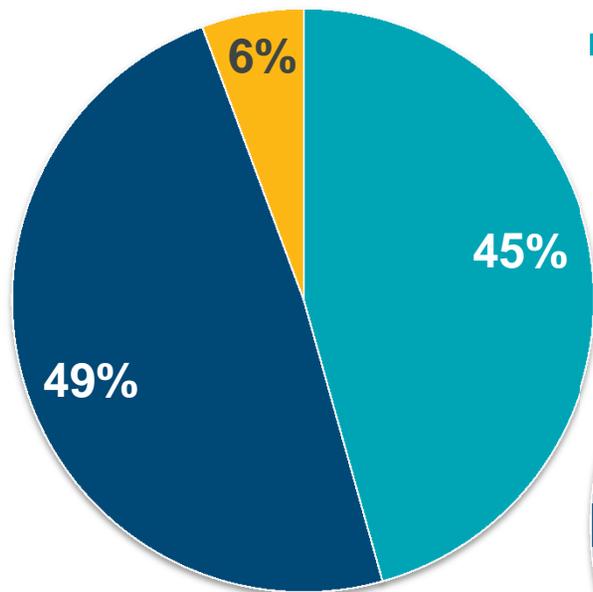


# PSE – 2015 Distribution by Plan

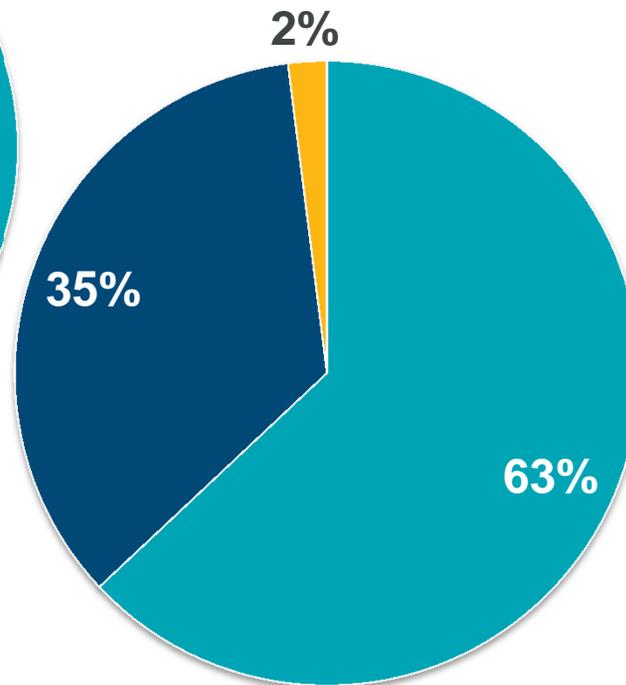


## Enrollment

(Employees & Retirees)

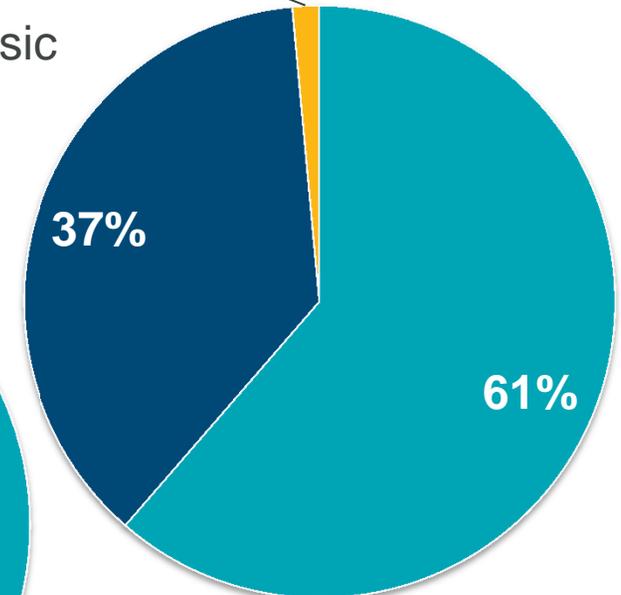


■ Premium ■ Classic ■ Basic



## Participant Contributions

## Claims



# PSE Trends



		Jan-May 2012- Jan-May 2013	<u>CY 2012- CY 2013</u>	Jan-May 2013- Jan-May 2014	<u>CY 2013- CY 2014</u>	Jan-May 2014- Jan-May 2015	<u>CY 2014- CY 2015</u>	Jan-May 2015- Jan-May 2016
<b>Inpatient</b>	<b>Utilization</b>	-3.9%	-8.0%	-4.4%	-4.1%	-15.7%	-4.3%	33.3%
	<b>Unit Cost</b>	-3.5%	-6.0%	-7.8%	1.9%	0.8%	-5.7%	7.3%
	<b>Total PMPM</b>	-7.2%	-13.5%	-11.8%	-2.3%	-15.0%	-9.8%	43.1%
<b>Outpatient</b>	<b>Utilization</b>	-4.5%	-3.6%	-4.9%	-2.0%	-6.5%	1.4%	19.9%
	<b>Unit Cost</b>	10.8%	12.6%	-0.4%	2.0%	-3.9%	-6.2%	8.7%
	<b>Total PMPM</b>	5.8%	8.5%	-5.2%	-0.1%	-10.1%	-4.9%	30.3%
<b>Professional</b>	<b>Utilization</b>	2.8%	0.0%	-8.8%	1.2%	-5.9%	-9.6%	13.3%
	<b>Unit Cost</b>	5.0%	2.3%	-1.7%	-3.1%	-3.4%	6.1%	2.5%
	<b>Total PMPM</b>	7.9%	2.3%	-10.3%	-1.9%	-9.1%	-4.0%	16.1%
<b>Other Med.</b>	<b>Utilization</b>	76.7%	0.7%	-14.8%	-6.5%	-1.3%	-11.2%	13.6%
	<b>Unit Cost</b>	-4.3%	3.7%	13.3%	6.6%	1.2%	22.8%	13.7%
	<b>Total PMPM</b>	90.5%	4.4%	-3.5%	-0.3%	0.0%	6.3%	29.2%
<b>Total Medical</b>	<b>Utilization</b>	3.8%	2.0%	-11.3%	-2.7%	-5.9%	-7.7%	14.9%
	<b>Unit Cost</b>	1.0%	0.0%	-0.5%	-1.3%	-4.5%	2.9%	10.6%
	<b>Total PMPM</b>	1.4%	-0.9%	-8.8%	-1.3%	-10.2%	-5.0%	27.1%

Jan – May reflects claims both incurred and paid in the 5-month period. CY refers to the entire calendar year.

Trends reflect allowed cost trends, unadjusted for changes in demographics, geography, benefits or management.



# PSE Allowed Cost Components



		Jan-May 2012	CY 2012	Jan-May 2013	CY 2013	Jan-May 2014	CY 2014	Jan-May 2015	CY 2015	Jan-May 2016
<b>Inpatient</b>	<b>Util./1,000</b>	322	414	310	381	296	365	250	349	333
	<b>Unit Cost</b>	\$ 2,552	\$ 2,417	\$ 2,464	\$ 2,273	\$ 2,273	\$ 2,316	\$ 2,291	\$ 2,185	\$ 2,458
	<b>Total PMPM</b>	\$ 68.59	\$ 83.34	\$ 63.62	\$ 72.11	\$ 56.12	\$ 70.45	\$ 47.70	\$ 63.57	\$ 68.25
<b>Outpatient</b>	<b>Util./1,000</b>	4,805	4,834	4,587	4,661	4,365	4,566	4,080	4,628	4,891
	<b>Unit Cost</b>	\$ 157	\$ 167	\$ 174	\$ 188	\$ 173	\$ 192	\$ 167	\$ 180	\$ 181
	<b>Total PMPM</b>	\$ 62.87	\$ 67.25	\$ 66.52	\$ 73.00	\$ 63.05	\$ 72.91	\$ 56.65	\$ 69.36	\$ 73.82
<b>Professional</b>	<b>Util./1,000</b>	16,974	16,886	17,443	16,883	15,910	17,089	14,971	15,454	16,962
	<b>Unit Cost</b>	\$ 72	\$ 76	\$ 76	\$ 78	\$ 75	\$ 75	\$ 72	\$ 80	\$ 74
	<b>Total PMPM</b>	\$ 102.24	\$ 107.00	\$ 110.37	\$ 109.43	\$ 98.99	\$ 107.38	\$ 89.99	\$ 103.04	\$ 104.51
<b>Other Med.</b>	<b>Util./1,000</b>	1,660	1,261	1,315	1,167	1,114	1,093	1,125	1,022	1,282
	<b>Unit Cost</b>	\$ 115	\$ 131	\$ 109	\$ 136	\$ 124	\$ 145	\$ 125	\$ 177	\$ 143
	<b>Total PMPM</b>	\$ 16.76	\$ 14.17	\$ 12.02	\$ 13.54	\$ 11.69	\$ 13.51	\$ 12.02	\$ 14.72	\$ 15.62
<b>Total Medical</b>	<b>Util./1,000</b>	24,240	23,967	25,157	24,442	22,315	23,783	21,002	21,954	24,128
	<b>Unit Cost</b>	\$ 126	\$ 139	\$ 128	\$ 139	\$ 127	\$ 137	\$ 121	\$ 141	\$ 134
	<b>Total PMPM</b>	\$ 255.16	\$ 277.74	\$ 258.72	\$ 275.34	\$ 236.08	\$ 271.84	\$ 212.10	\$ 258.14	\$ 269.59

Utilization / 1,000 corresponds to the number of services (days for Inpatient, visits for other categories) rendered per 1,000 covered lives.

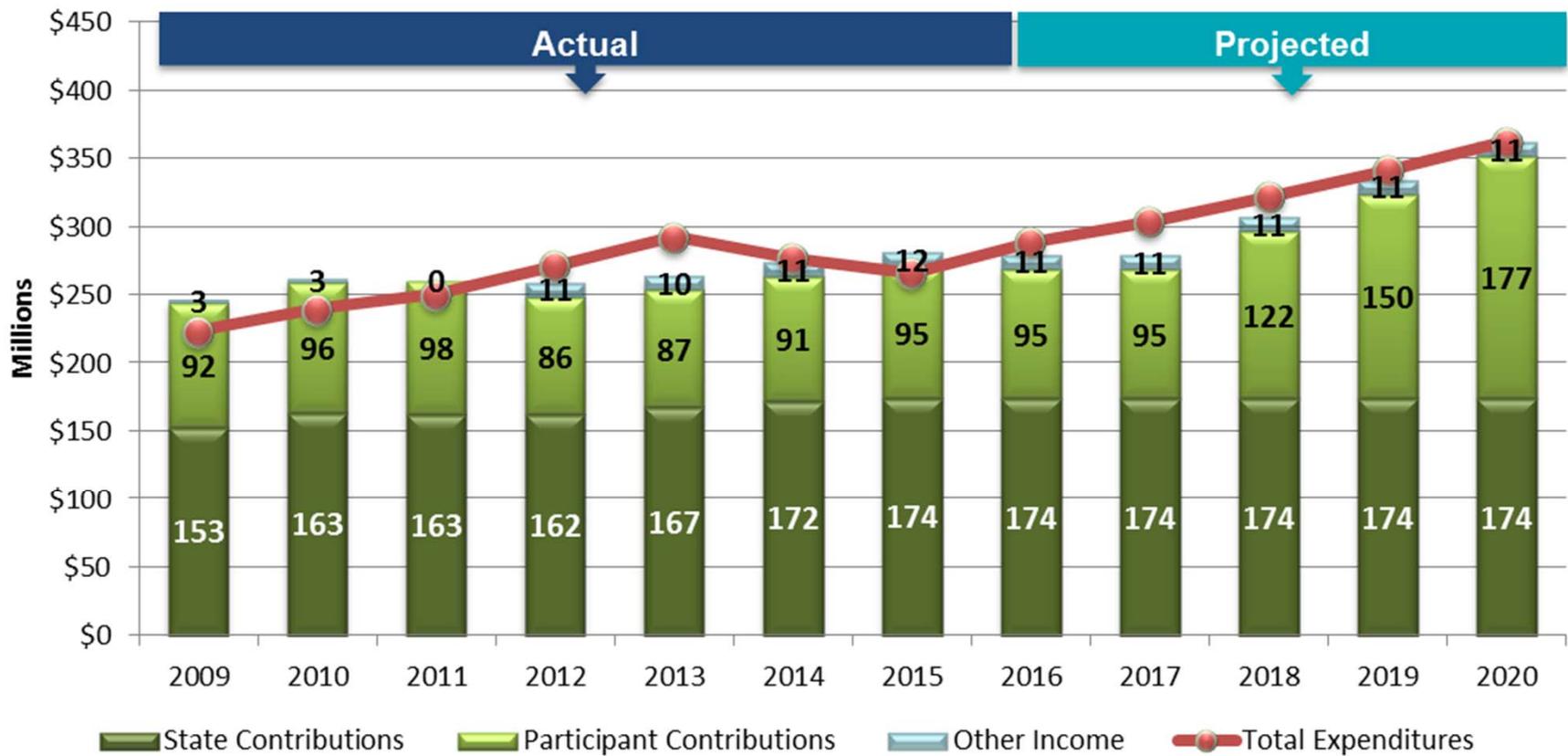
Jan – May reflects claims both incurred and paid in the 5-month period. CY refers to the entire calendar year.



# ASE Funding



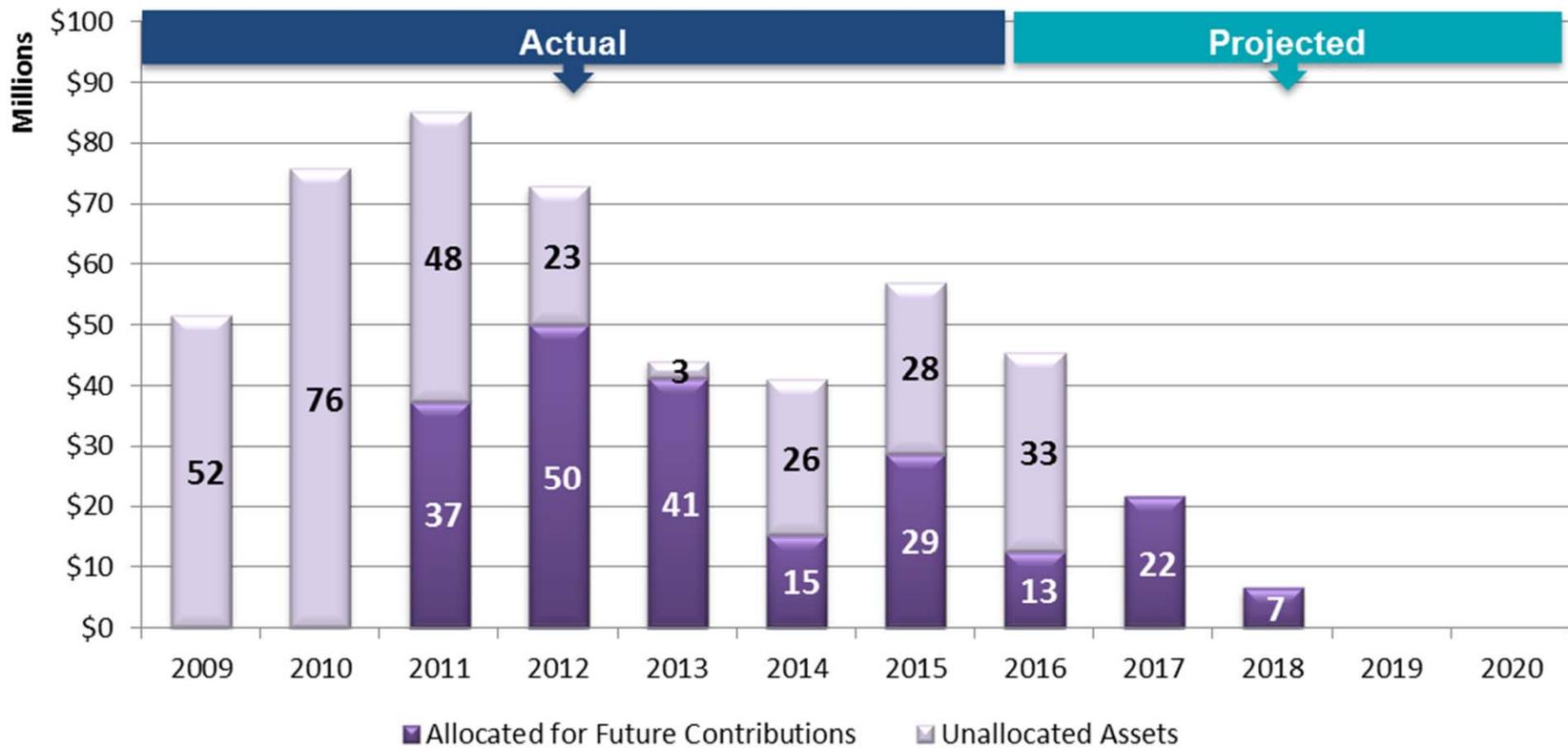
## Income vs Expenditures



# ASE Funding



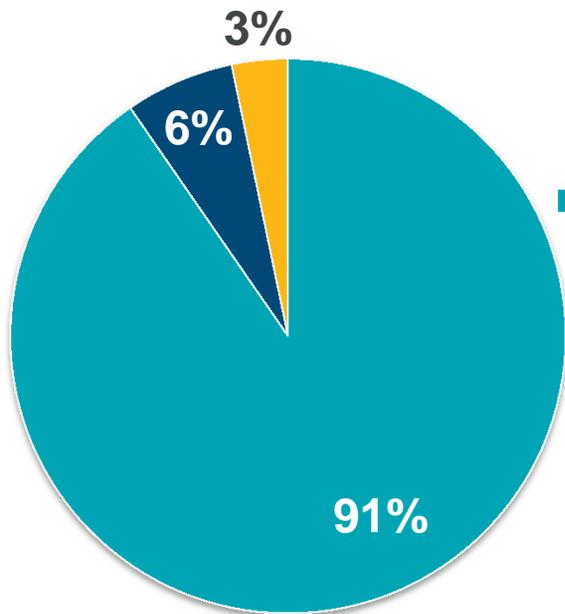
## EOY Assets Available to Offset Future Contributions



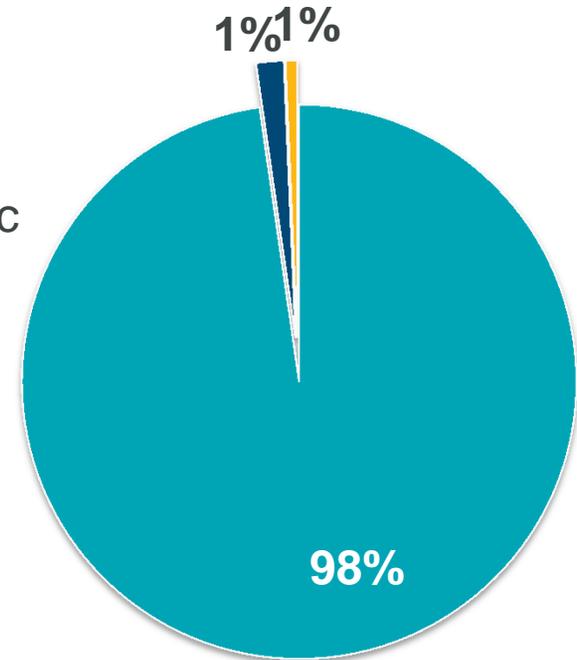
# ASE – 2015 Distribution by Plan



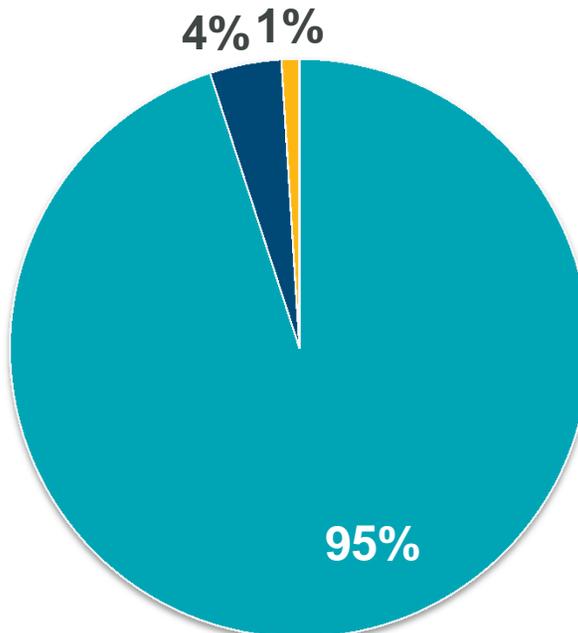
## Enrollment (Employees & Retirees)



## Claims



■ Premium ■ Classic ■ Basic



## Participant Contributions



# ASE Trends



		Jan-May 2012- Jan-May 2013	<u>CY 2012- CY 2013</u>	Jan-May 2013- Jan-May 2014	<u>CY 2013- CY 2014</u>	Jan-May 2014- Jan-May 2015	<u>CY 2014- CY 2015</u>	Jan-May 2015- Jan-May 2016
<b>Inpatient</b>	<b>Utilization</b>	4.2%	4.6%	-8.8%	-13.1%	-12.9%	3.6%	30.3%
	<b>Unit Cost</b>	3.6%	-1.6%	-3.1%	5.8%	2.2%	-4.3%	5.1%
	<b>Total PMPM</b>	7.9%	2.9%	-11.7%	-8.1%	-11.0%	-0.9%	36.9%
<b>Outpatient</b>	<b>Utilization</b>	-0.9%	0.6%	-5.1%	-4.3%	-7.6%	1.6%	24.9%
	<b>Unit Cost</b>	11.6%	11.5%	1.7%	4.1%	0.9%	-0.6%	2.8%
	<b>Total PMPM</b>	10.6%	12.2%	-3.5%	-0.5%	-6.8%	1.0%	28.3%
<b>Professional</b>	<b>Utilization</b>	2.9%	2.8%	-4.8%	1.8%	-6.0%	0.2%	15.9%
	<b>Unit Cost</b>	5.9%	1.6%	-4.4%	-3.9%	-1.9%	-1.4%	2.9%
	<b>Total PMPM</b>	9.0%	4.4%	-9.0%	-2.1%	-7.7%	-1.2%	19.3%
<b>Other Med.</b>	<b>Utilization</b>	67.0%	-2.2%	-7.0%	-0.8%	-0.4%	6.5%	15.7%
	<b>Unit Cost</b>	-1.1%	4.2%	18.0%	21.7%	5.7%	4.0%	2.5%
	<b>Total PMPM</b>	70.5%	1.2%	9.7%	20.7%	5.4%	10.4%	18.5%
<b>Total Medical</b>	<b>Utilization</b>	1.1%	2.1%	-4.8%	0.3%	-6.2%	0.8%	17.8%
	<b>Unit Cost</b>	5.7%	3.4%	-2.1%	-1.9%	-1.3%	-0.4%	6.8%
	<b>Total PMPM</b>	6.8%	5.6%	-6.8%	-1.6%	-7.3%	0.5%	25.8%

Jan – May reflects claims both incurred and paid in the 5-month period. CY refers to the entire calendar year.

Trends reflect allowed cost trends, unadjusted for changes in demographics, geography, benefits or management.

# ASE Cost Components



		Jan-May 2012	CY 2012	Jan-May 2013	CY 2013	Jan-May 2014	CY 2014	Jan-May 2015	CY 2015	Jan-May 2016
Inpatient	Util./1,000	384	472	400	493	365	429	318	444	414
	Unit Cost	\$ 2,275	\$ 2,067	\$ 2,357	\$ 2,034	\$ 2,284	\$ 2,151	\$ 2,334	\$ 2,060	\$ 2,453
	Total PMPM	\$ 73	\$ 81	\$ 79	\$ 84	\$ 69	\$ 77	\$ 62	\$ 76	\$ 85
Outpatient	Util./1,000	5,592	5,450	5,540	5,482	5,257	5,244	4,859	5,328	6,067
	Unit Cost	\$ 149	\$ 159	\$ 166	\$ 177	\$ 169	\$ 184	\$ 171	\$ 183	\$ 175
	Total PMPM	\$ 69	\$ 72	\$ 77	\$ 81	\$ 74	\$ 80	\$ 69	\$ 81	\$ 89
Professional	Util./1,000	19,356	18,096	19,923	18,602	18,968	18,936	17,839	18,976	20,683
	Unit Cost	\$ 72	\$ 75	\$ 77	\$ 76	\$ 73	\$ 74	\$ 72	\$ 73	\$ 74
	Total PMPM	\$ 117	\$ 114	\$ 127	\$ 119	\$ 116	\$ 116	\$ 107	\$ 115	\$ 127
Other Med.	Util./1,000	1,813	1,331	1,315	1,175	1,212	1,167	1,231	1,268	1,430
	Unit Cost	\$ 118	\$ 130	\$ 117	\$ 135	\$ 138	\$ 166	\$ 146	\$ 171	\$ 149
	Total PMPM	\$ 19	\$ 15	\$ 13	\$ 14	\$ 14	\$ 17	\$ 16	\$ 19	\$ 18
Total Medical	Util./1,000	27,687	26,000	27,993	26,555	26,663	26,627	25,020	26,847	29,483
	Unit Cost	\$ 123	\$ 133	\$ 130	\$ 138	\$ 127	\$ 135	\$ 125	\$ 135	\$ 134
	Total PMPM	\$ 283.25	\$ 288.19	\$ 302.61	\$ 304.46	\$ 282.06	\$ 299.52	\$ 261.35	\$ 300.91	\$ 328.82

Utilization / 1,000 corresponds to the number of services (days for Inpatient, visits for other categories) rendered per 1,000 covered lives.

Jan – May reflects claims both incurred and paid in the 5-month period. CY refers to the entire calendar year.



# 2016 (& recommended 2017) Plan Design



	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>In-Network:</b>						
Deductible - Individual	\$500	\$1,000	\$2,500	\$2,000	\$6,450	\$4,250
Co-Insurance Limit - Individual (after Deductible)	\$2,500	\$2,500	\$3,950	\$4,450	n/a	\$2,200
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay) **	\$3,000	\$3,500	\$6,450	\$6,450	\$6,450	\$6,450
Deductible - Family	\$1,000	\$2,000	\$5,000	\$3,000	\$12,900	\$8,500
Co-Insurance Limit - Family (after Deductible)	\$5,000	\$5,000	\$7,900	\$6,675	n/a	\$4,400
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)	\$6,000	\$7,000	\$12,900	\$9,675	\$12,900	\$12,900
Co-Insurance 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	\$3,100/\$6,200	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>Out-of-Network:</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



Classic Values, Innovative Advice

7/12/2016

# Alternative Plan Design



	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>In-Network:</b>						
Deductible - Individual	\$1,000	\$1,000	\$2,750	\$2,250	\$7,150	\$4,750
Co-Insurance Limit - Individual (after Deductible)	\$2,500	\$2,500	\$4,400	\$4,900	n/a	\$2,400
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay) **	\$3,500	\$3,500	\$7,150	\$7,150	\$7,150	\$7,150
Deductible - Family	\$2,000	\$2,000	\$5,500	\$3,375	\$14,300	\$9,500
Co-Insurance Limit - Family (after Deductible)	\$5,000	\$5,000	\$8,800	\$7,350	n/a	\$4,800
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)	\$7,000	\$7,000	\$14,300	\$10,725	\$14,300	\$14,300
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	*	*	*	*
Rx - Specialty	\$100	\$100	*	*	*	*
Rx - Out of Pocket Maximum (Individual/Family)	\$3,100/\$6,200	\$3,100/\$6,200	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>Out-of-Network:</b>						
Deductible - Individual/Family	\$2,000/\$4,000	\$2,000/\$4,000	\$4,500/\$9,000	\$3,500/\$7,000	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



# Summary of Benefit Changes Reviewed



## *APPROXIMATE reduction in annual cost for plan change*

	<u>PSE</u>		<u>ASE</u>	
	\$ in millions	% of EE/Ret Rate	\$ in millions	% of EE/Ret Rate
<b>Premium: Increase ASE Ded/OOP for Parity</b>	<b>\$0.0</b>	<b>0%</b>	<b>\$4.1</b>	<b>4%</b>
<b>Classic: Increase Ded/OOP</b>	<b>\$1.7</b>	<b>1%</b>	<b>\$0.1</b>	<b>0.1%</b>
<b>Basic: Increase Ded/OOP</b>	<b>\$0.1</b>	<b>0.1%</b>	<b>\$0.1</b>	<b>0.1%</b>
<b>Eliminate Medicare Rx for ASE</b>				
<b>with \$100 reduction in ME retiree contrib. rate</b>	<b>n/a</b>	<b>n/a</b>	<b>\$18</b>	<b>20%</b>
<b>with \$64 reduction in ME retiree contrib. rate</b>	<b>n/a</b>	<b>n/a</b>	<b>\$22</b>	<b>24%</b>

Savings will be partially offset by additional administrative costs for transition, such as issuing new ID cards and/or educational efforts.

# Actuarial Values



	ASE Premium	PSE Premium	ASE Classic	PSE Classic	ASE Basic	PSE Basic
<b>Actuarial Value - 2015</b>	<b>79.8%</b>	<b>77.0%</b>	<b>70.5%</b>	<b>68.5%</b>	<b>62.2%</b>	<b>60.7%</b>
<b>Actuarial Value - 2017</b>	<b>83.1%</b>	<b>80.9%</b>	<b>72.8%</b>	<b>71.3%</b>	<b>65.1%</b>	<b>63.7%</b>
<b>Actuarial Value - 2017 - Alternative Plan Design</b>	<b>80.9%</b>	<b>80.9%</b>	<b>71.2%</b>	<b>69.6%</b>	<b>63.3%</b>	<b>61.7%</b>

Actuarial values for 2015 are taken from the 2015 actuarial calculator provided by the Department of Health & Human Services (HHS). Actuarial values for 2017 are taken from the 2017 actuarial value calculator provided by HHS. Actuarial values shown are not based on ASE/PSE experience. Actuarial values shown are different from those developed in 2014 due to a change in the HHS model used. Actuarial values represent only in-network benefits for employee only coverage; reflecting out-of-network benefits and/or family coverage may differ from those shown.

# PSE Scenarios



		2017	2018	2019	2020		2017	2018	2019	2020
	<b>Trend Scenario</b>	<b>6%/10%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>		<b>6%/10%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
1.	<b>No Changes</b>	<b>0%</b>	<b>0%</b>	<b>27%</b>	<b>18%</b>		<b>0%</b>	<b>0%</b>	<b>8%</b>	<b>13%</b>
2.	<b>5% Min. Increase 2018</b>	<b>0%</b>	<b>5%</b>	<b>19%</b>	<b>19%</b>		<b>0%</b>	<b>5%</b>	<b>5%</b>	<b>8%</b>
3.	<b>5% Min. Increase 2017</b>	<b>5%</b>	<b>5%</b>	<b>9%</b>	<b>21%</b>		<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>
4.	<b>10% Min. Increase 2018</b>	<b>0%</b>	<b>10%</b>	<b>12%</b>	<b>20%</b>		<b>0%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
5.	<b>10% Min. Increase 2017</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>		<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
6.	<b>Classic/Basic Ded/OOP - 2017</b>	<b>0%</b>	<b>0%</b>	<b>24%</b>	<b>18%</b>		<b>0%</b>	<b>0%</b>	<b>5%</b>	<b>14%</b>
7.	<b>Combine 3. &amp; 6.</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>	<b>22%</b>		<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>
8.	<b>Ben. Comm. Recommended</b>	<b>2%</b>	<b>2%</b>	<b>20%</b>	<b>19%</b>		<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>13%</b>

Rate increases shown are total change in employee and retiree contributions. The Board may wish to allocated the increase differently by family status, benefit plan, and/or employee/retiree status.

# PSE Active Rates



Actives	Unadjusted Total Rate	Direct State Contrib. & FICA	Reserve Used / (Added)	School District Contrib.	2017 Employee Cost	2016 Employee Cost	Change in EE Cost (\$/%)		Assumed Enrollment
<b>Premium</b>							with		
Employee Only	\$584.64	\$244.89	\$0.36	\$155.93	\$183.46	\$179.38	\$4.08	2%	15,959
Employee & Spouse	1,366.90	379.21	0.56	155.93	831.20	812.72	18.48	2%	318
Employee & Child(ren)	1,025.62	398.56	0.59	155.93	470.54	460.08	10.46	2%	2,044
Family	1,807.88	817.31	1.20	155.93	833.44	814.92	18.52	2%	428
Est. Monthly Total (\$mil)	\$12.6	\$5.2	\$0.0	\$2.9	\$4.5	\$4.4	\$0.1	2%	18,749
<b>Classic</b>									
Employee Only	\$276.18	\$74.12	\$0.11	\$155.93	\$46.02	\$45.00	\$1.02	2%	12,875
Employee & Spouse	611.52	100.82	0.15	155.93	354.62	346.74	7.88	2%	1,288
Employee & Child(ren)	465.22	150.65	0.22	155.93	158.42	154.90	3.52	2%	4,687
Family	800.56	285.89	0.42	155.93	358.32	350.36	7.96	2%	2,885
Est. Monthly Total (\$mil)	\$8.8	\$2.6	\$0.0	\$3.4	\$2.8	\$2.8	\$0.1	2%	21,734
<b>Basic</b>									
Employee Only	\$134.50	\$0.00	(\$32.69)	\$155.93	\$11.26	\$11.00	\$0.26	2%	2,915
Employee & Spouse	263.18	0.00	(165.53)	155.93	272.78	266.72	6.06	2%	184
Employee & Child(ren)	207.04	0.00	(70.75)	155.93	121.86	119.16	2.70	2%	343
Family	335.72	0.00	(95.83)	155.93	275.62	269.50	6.12	2%	320
Est. Monthly Total (\$mil)	\$0.6	\$0.0	(\$0.2)	\$0.6	\$0.2	\$0.2	\$0.0	2%	3,763
Total (Monthly) (\$ mil)	\$22.1	\$7.8	(\$0.2)	\$6.9	\$7.5	\$7.4	\$0.2	2%	44,246
Est Annual Total (\$ mil)	\$265.1	\$93.7	(\$2.0)	\$82.8	\$90.6	\$88.6	\$2.0	2%	

Total Active & Ret (\$ mil)	\$305.8	\$93.7	\$3.4	\$82.8	\$125.9	\$123.5	\$2.5	2%	59,111
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Employee Cost assumes wellness participation. Wellness penalties subtracted from Total Rates.



# PSE Retiree Rates



NME Retirees	Unadjusted Total Rate	Direct State Contrib.	Reserve Used / (Added)	2017 Retiree Cost	2016 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
<b>Premium</b>								
Retiree Only	\$584.64	\$0.00	(\$56.50)	\$641.14	\$641.14	\$0.00	0%	1,058
Retiree & NME SP	1,366.90	0.00	(90.28)	1,457.18	1,457.18	0.00	0%	57
Retiree & Child(ren)	1,025.62	0.00	(166.98)	1,192.60	1,192.60	0.00	0%	12
Retiree & NME SP&CH	1,807.88	0.00	(200.76)	2,008.64	2,008.64	0.00	0%	5
Retiree & ME SP	779.42	0.00	(15.70)	795.12	795.12	0.00	0%	84
Retiree & ME SP & CH	1,220.40	0.00	(126.18)	1,346.58	1,346.58	0.00	0%	1
Est. Monthly Total (\$mil)	\$0.8	\$0.0	(\$0.1)	\$0.9	\$0.9	\$0.0	0%	1,218
<b>Classic</b>								
Employee Only	\$276.18	\$0.00	\$2.88	\$273.30	\$267.94	\$5.36	2%	1,772
Employee & Spouse	611.52	0.00	45.74	565.78	554.68	11.10	2%	257
Employee & Child(ren)	465.22	0.00	(4.60)	469.82	469.82	0.00	0%	49
Family	800.56	0.00	54.36	746.20	731.56	14.64	2%	52
Est. Monthly Total (\$mil)	\$0.7	\$0.0	\$0.0	\$0.7	\$0.7	\$0.0	2%	2,131
<b>Basic</b>								
Employee Only	\$134.50	\$0.00	(\$14.00)	\$148.50	\$148.50	\$0.00	0%	330
Employee & Spouse	263.18	0.00	(6.54)	269.72	269.72	0.00	0%	49
Employee & Child(ren)	207.04	0.00	(31.48)	238.52	238.52	0.00	0%	13
Family	335.72	0.00	0.00	335.72	334.74	0.98	0%	14
Est. Monthly Total (\$mil)	\$0.1	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0	0%	406
Total (Monthly) (\$ mil)	\$1.6	\$0.0	(\$0.1)	\$1.6	\$1.6	\$0.0	1%	3,755
Est Annual Total (\$ mil)	\$18.7	\$0.0	(\$0.7)	\$19.4	\$19.2	\$0.2		
<b>Medicare Eligible</b>								
Retiree Only	\$194.78	\$51.20	\$42.80	\$100.78	\$98.80	\$1.98	2%	10,093
Retiree & NME SP	768.22	(27.15)	11.45	783.92	783.92	(0.00)	0%	68
Retiree & Child(ren)	683.80	(73.30)	(0.00)	757.10	757.10	0.00	0%	15
Retiree & NME SP&CH	1,418.00	(103.48)	0.00	1,521.48	1,521.48	(0.00)	0%	1
Retiree & ME SP	365.66	25.59	77.03	263.04	257.88	5.16	2%	933
Retiree & ME SP & CH	854.68	(33.89)	(0.01)	888.58	888.57	0.01	0%	-
Est. Monthly Total (\$mil)	\$2.4	\$0.5	\$0.5	\$1.3	\$1.3	\$0.0	2%	11,110
Total (Est. Annual)	\$28.4	\$6.5	\$6.1	\$15.9	\$15.6	\$0.3		

Note: Rates not increased if contribution rate is above total premium

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Classic Values, Innovative Advice

# ASE Scenarios



	2017	2018	2019	2020	2017	2018	2019	2020
<b>Trend Scenario</b>	<b>6%/10%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>6%/10%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
<b>1. No Changes</b>	<b>0%</b>	<b>30%</b>	<b>24%</b>	<b>19%</b>	<b>0%</b>	<b>21%</b>	<b>17%</b>	<b>13%</b>
<b>2. 5% Min. Increase 2017</b>	<b>5%</b>	<b>22%</b>	<b>25%</b>	<b>18%</b>	<b>5%</b>	<b>13%</b>	<b>18%</b>	<b>13%</b>
<b>3. 10% Min. Increase 2017</b>	<b>10%</b>	<b>15%</b>	<b>26%</b>	<b>18%</b>	<b>10%</b>	<b>10%</b>	<b>13%</b>	<b>13%</b>
<b>4. State Contribution to \$425</b>	<b>0%</b>	<b>28%</b>	<b>24%</b>	<b>19%</b>	<b>0%</b>	<b>18%</b>	<b>17%</b>	<b>13%</b>
<b>5. Lose 1,000 unfilled positions</b>	<b>0%</b>	<b>36%</b>	<b>23%</b>	<b>18%</b>	<b>0%</b>	<b>26%</b>	<b>16%</b>	<b>13%</b>
<b><i>Eliminating Medicare Rx</i></b>								
<b>6. In 2017 w/ \$100 lower contrib.</b>	<b>0%</b>	<b>0%</b>	<b>37%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>	<b>12%</b>	<b>16%</b>
<b>7. In 2017 w/ \$64 lower contrib.</b>	<b>0%</b>	<b>0%</b>	<b>25%</b>	<b>23%</b>	<b>0%</b>	<b>0%</b>	<b>2%</b>	<b>19%</b>
<b>8. In 2018 w/ \$100 lower contrib.</b>	<b>0%</b>	<b>13%</b>	<b>30%</b>	<b>23%</b>	<b>0%</b>	<b>2%</b>	<b>22%</b>	<b>17%</b>
<b>9. In 2018 w/ \$64 lower contrib.</b>	<b>0%</b>	<b>5%</b>	<b>30%</b>	<b>23%</b>	<b>0%</b>	<b>0%</b>	<b>14%</b>	<b>18%</b>
<b><i>Parity in Premium Plan Benefits</i></b>								
<b>10. In 2017</b>	<b>0%</b>	<b>24%</b>	<b>25%</b>	<b>19%</b>	<b>0%</b>	<b>14%</b>	<b>18%</b>	<b>13%</b>
<b>11. In 2018</b>	<b>0%</b>	<b>26%</b>	<b>24%</b>	<b>19%</b>	<b>0%</b>	<b>16%</b>	<b>17%</b>	<b>14%</b>
<b><i>Combinations</i></b>								
<b>12. Combine 7. &amp; 10.</b>	<b>0%</b>	<b>0%</b>	<b>15%</b>	<b>26%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>9%</b>
<b>13. Combine 2., 4., 5., 7., &amp; 10.</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>27%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>
<b>14. Combine 2., 4., 5., 8., &amp; 11.</b>	<b>5%</b>	<b>5%</b>	<b>29%</b>	<b>23%</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>	<b>19%</b>
<b>15. Ben. Comm. Recommended</b>	<b>3%</b>	<b>25%</b>	<b>24%</b>	<b>19%</b>	<b>3%</b>	<b>16%</b>	<b>17%</b>	<b>13%</b>

Rate increases shown are total change in employee and retiree contributions. The Board may wish to allocated the increase differently by family status, benefit plan, and/or employee/retiree status.

# ASE Active Rates



Actives	Risk Adjusted Total Rate	State Contrib. & FICA	Reserve Used / (Added)	2017 Employee Cost	2016 Employee Cost	Change in EE Cost (\$/%)		Assumed Enrollment
<b>Premium</b>								
Employee Only	\$478.84	\$363.81	\$7.11	\$107.92	\$104.78	\$3.14	3%	13,301
Employee & Spouse	1,083.42	679.69	13.27	390.46	379.08	11.38	3%	2,171
Employee & Child(ren)	807.42	579.76	11.32	216.34	210.04	6.30	3%	5,021
Family	1,412.00	895.63	17.49	498.88	484.34	14.54	3%	1,970
Est. Monthly Total (\$mil)	\$15.6	\$11.0	\$0.2	\$4.4	\$4.2	\$0.1	3%	22,463
<b>Classic</b>								
Employee Only	\$415.98	\$361.05	\$7.05	\$47.88	\$46.48	\$1.40	3%	1,068
Employee & Spouse	937.40	673.92	13.16	250.32	243.02	7.30	3%	139
Employee & Child(ren)	699.36	575.38	11.24	112.74	109.46	3.28	3%	298
Family	1,220.78	888.25	17.35	315.18	306.00	9.18	3%	157
Est. Monthly Total (\$mil)	\$1.0	\$0.8	\$0.0	\$0.2	\$0.2	\$0.0	3%	1,662
<b>Basic</b>								
Employee Only	\$366.10	\$359.09	\$7.01	\$0.00	\$0.00	\$0.00	n/a	1,159
Employee & Spouse	818.86	669.33	13.07	136.46	132.48	3.98	3%	170
Employee & Child(ren)	612.18	572.01	11.17	29.00	28.16	0.84	3%	301
Family	1,064.94	882.25	17.23	165.46	160.64	4.82	3%	185
Est. Monthly Total (\$mil)	\$0.9	\$0.9	\$0.0	\$0.1	\$0.1	\$0.0	3%	1,816
Total (Monthly) (\$ mil)	\$17.5	\$12.6	\$0.2	\$4.6	\$4.5	\$0.1	3%	25,941
Est Annual Total (\$ mil)	\$209.7	\$151.8	\$3.0	\$55.0	\$53.4	\$1.6	3%	

Total Active & Ret (\$ mil)	\$263.5	\$177.4	\$3.5	\$82.7	\$80.3	\$2.4	3%	38,065
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Employee Cost assumes wellness participation. Wellness penalties subtracted from Total Rates.



# ASE Retiree Rates



NME Retirees	Risk Adjusted Total Rate	State Contrib.	Reserve Used / (Added)	2017 Retiree Cost	2016 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
<b>Premium</b>								
Retiree Only	\$478.84	\$189.63	\$22.81	\$266.40	\$258.64	\$7.76	3%	1,684
Retiree & NME SP	1,083.42	358.44	43.10	681.88	662.02	19.86	3%	378
Retiree & Child(ren)	807.42	281.31	33.83	492.28	477.94	14.34	3%	101
Retiree & NME SP&CH	1,412.00	450.11	54.13	907.76	881.32	26.44	3%	45
Retiree & ME SP	908.00	351.01	42.21	514.78	499.78	15.00	3%	192
Retiree & ME SP & CH	1,236.58	442.68	53.24	740.66	719.08	21.58	3%	7
Est. Monthly Total (\$mil)	\$1.5	\$0.6	\$0.1	\$0.9	\$0.9	\$0.0	3%	2,408
<b>Classic</b>								
Employee Only	\$415.98	\$187.12	\$22.50	\$206.36	\$200.34	\$6.02	3%	50
Employee & Spouse	937.40	353.19	42.47	541.74	525.96	15.78	3%	14
Employee & Child(ren)	699.36	277.33	33.35	388.68	377.36	11.32	3%	2
Family	1,220.78	443.40	53.32	724.06	702.98	21.08	3%	4
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	3%	70
<b>Basic</b>								
Employee Only	\$366.10	\$185.33	\$22.29	\$158.48	\$153.86	\$4.62	3%	27
Employee & Spouse	818.86	349.01	41.97	427.88	415.42	12.46	3%	6
Employee & Child(ren)	612.18	274.26	32.98	304.94	296.06	8.88	3%	3
Family	1,064.94	437.93	52.67	574.34	557.62	16.72	3%	4
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	3%	40
Total (Monthly) (\$ mil)	\$1.6	\$0.6	\$0.1	\$0.9	\$0.9	\$0.0	3%	2,518
Est Annual Total (\$ mil)	\$19.3	\$7.2	\$0.9	\$11.2	\$10.9	\$0.3		
<b>Medicare Eligible</b>								
Retiree Only	\$429.16	\$234.17	\$28.17	\$166.82	\$161.96	\$4.86	3%	6,643
Retiree & NME SP	907.99	290.73	34.96	582.30	565.34	16.96	3%	393
Retiree & Child(ren)	798.20	361.97	43.53	392.70	381.26	11.44	3%	77
Retiree & NME SP&CH	1,362.33	494.66	59.49	808.18	784.64	23.54	3%	27
Retiree & ME SP	834.42	388.09	46.67	399.66	388.02	11.64	3%	2,435
Retiree & ME SP & CH	1,203.47	515.89	62.04	625.54	607.32	18.22	3%	31
Est. Monthly Total (\$mil)	\$5.4	\$2.7	\$0.3	\$2.4	\$2.3	\$0.1	3%	9,606
Total (Est. Annual)	\$64.5	\$32.1	\$3.9	\$28.6	\$27.7	\$0.8		



# H-scan Rate Change Forecast



## Options & Stress Testing

**H-scan**

	2017	2018	2019	2020
Scenario 1 Trend	6%/10%	6%	6%	6%
Scenario 2 Trend	6%/10%	3%	3%	3%

	2017	2018+
Minimum Rate Increase	0%	0%

ASE Budgeted Pos'n Rate 7/1/2017	\$ 420
Annual increases	0%
Number of Budgeted Positions	34,500

YEAR BENEFIT CHANGES APPLY	2017
Premium: Benefit Parity	No
Classic: Increase Ded/OOP	No
Basic: Increase Ded/OOP (See Appendix B for details)	No

Eliminate Medicare Rx for ASE	No
Reduction in contrib. per retiree	\$ 100

### TOTAL CHANGE IN EMPLOYEE/RETIREE CONTRIBUTION RATES NEEDED

#### PSE

	2017	2018	2019	2020
Trend Scenario 1	6%/10%	6%	6%	6%
<b>Rate Increase</b>	<b>0%</b>	<b>0%</b>	<b>27%</b>	<b>18%</b>
Trend Scenario 2	6%/10%	3%	3%	3%
<b>Rate Increase</b>	<b>0%</b>	<b>0%</b>	<b>8%</b>	<b>13%</b>

#### ASE

	2017	2018	2019	2020
Trend Scenario 1	6%/10%	6%	6%	6%
<b>Rate Increase</b>	<b>0%</b>	<b>30%</b>	<b>24%</b>	<b>19%</b>
Trend Scenario 2	6%/10%	3%	3%	3%
<b>Rate Increase</b>	<b>0%</b>	<b>21%</b>	<b>17%</b>	<b>13%</b>

See Appendix E for other assumptions



Classic Values, Innovative Advice

7/12/2016

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# Summary/Next Steps



- What are benefits for 2017?
  - Benefits committee recommends no changes.
- What are employee/retiree contribution rates for 2017?
  - Benefits committee recommends 2% increase for PSE and 3% increase for ASE.
- Consider for future meetings
  - Alternative Medicare Pharmacy approach
  - Additional wellness initiatives
  - Additional cost containment measures
  - Significant plan design changes
  - Risk adjusting PSE rates



**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

7/12/2016

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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
Est. Monthly Total (\$mil)	\$14.0	\$5.5	\$0.5	\$3.2	\$4.8	\$0.1	\$4.8	\$0.0	0%	\$0.0	0%	20,566
<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
Est. Monthly Total (\$mil)	\$8.3	\$2.2	\$0.2	\$3.3	\$2.7	\$0.1	\$2.7	\$0.0	0%	\$0.0	0%	21,283
<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
Est. Monthly Total (\$mil)	\$0.4	\$0.0	(\$0.1)	\$0.4	\$0.1	\$0.0	\$0.1	\$0.0	0%	\$0.0	0%	2,386
Total (Monthly) (\$ mil)	\$22.7	\$7.7	\$0.6	\$6.8	\$7.6	\$0.2	\$7.6	\$0.0/\$0.0		0%/0%		44,235
Est Annual Total (\$ mil)	\$272.4	\$92.7	\$6.6	\$82.0	\$91.1	\$2.0	\$91.1	\$0.0/\$0.0		0%/0%		
<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



# 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
Est. Monthly Total (\$mil)	\$1.0	\$0.0	(\$0.1)	\$1.1	\$1.1	\$0.0	0%	1,534
<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
Est. Monthly Total (\$mil)	\$0.5	\$0.0	\$0.0	\$0.5	\$0.5	\$0.0	0%	1,610
<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
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%	136
Total (Monthly) (\$ mil)	\$1.5	\$0.0	(\$0.1)	\$1.6	\$1.6	\$0.0	0%	3,279
Est Annual Total (\$ mil)	\$18.4	\$0.0	(\$1.0)	\$19.4	\$19.4	\$0.0		

# 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 & ME SP	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
Est. Monthly Total (\$mil)	\$2.2	\$0.5	\$0.3	\$1.3	\$1.3	\$0.0	0%	11,138
Total (Est. Annual)	\$26.2	\$6.4	\$4.0	\$15.9	\$15.9	\$0.0		

# 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
Est. Monthly Total (\$mil)	\$16.2	\$10.6	\$1.0	\$4.6	\$0.1	\$4.6	\$0.0	0%	\$0.0	0%	24,523
<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
Est. Monthly Total (\$mil)	\$1.0	\$0.8	\$0.1	\$0.2	\$0.0	\$0.2	\$0.0	0%	\$0.0	0%	1,811
<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
Est. Monthly Total (\$mil)	\$0.5	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%	\$0.0	0%	902
Total (Monthly) (\$ mil)	\$17.7	\$11.8	\$1.1	\$4.8	\$0.1	\$4.8	\$0.0/\$0.0		0%0%		27,236
Est Annual Total (\$ mil)	\$212.3	\$141.3	\$12.9	\$58.1	\$1.2	\$58.1	\$0.0/\$0.0		0%0%		
<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
Est. Monthly Total (\$mil)	\$1.5	\$0.6	\$0.1	\$0.9	\$0.9	\$0.0	0%	2,417
<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
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%	60
<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
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0%	20
Total (Monthly) (\$ mil)	\$1.5	\$0.6	\$0.1	\$0.9	\$0.9	\$0.0	0%	2,498
Est Annual Total (\$ mil)	\$18.6	\$6.9	\$0.6	\$11.0	\$11.0	\$0.0		

# 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
Est. Monthly Total (\$mil)	\$4.8	\$2.4	\$0.2	\$2.2	\$2.2	\$0.0	0%	9,181
Total (Est. Annual)	\$57.9	\$28.6	\$2.6	\$26.7	\$26.7	\$0.0		

# Appendix B: 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 C: Medicare Prescription Drug Plans (PDPs)



- Medicare PDPs in Arkansas range in premiums from \$11.40 to \$131.90 in 2016
  - Median price of \$36/month
  - 22 out of 24 are below \$80/month
  - 11 plans are Enhanced (better benefits than basic Part D)
  - 8 plans have no deductibles
- Available to all individuals with no premium surcharge if had creditable coverage (like ARBenefits)
  - Income-Related Monthly Adjustment Amount (IRMAA) may apply to high income retirees
- Benefits and formularies vary by plan
- Participants can go to Medicare.gov and enter their drugs to be sure they have a plan that covers their current medications
- If a reduction in retiree contributions is offered
  - The majority of retirees will likely pay less in total out-of-pocket costs for a Medicare PDP than ARBenefits plans
  - A minority of retirees could pay more

# Appendix D: PSE Rate Scenarios



		CURRENT PLAN DESIGN				ALTERNATIVE PLAN DESIGN			
		2017	2018	2019	2020	2017	2018	2019	2020
<b>Trend Scenario</b>		<b>6%/10%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>6%/10%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>
<b>Minimum Increase (starting 2017)</b>									
<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>27%</b>	<b>18%</b>	<b>0%</b>	<b>0%</b>	<b>24%</b>	<b>18%</b>
<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>23%</b>	<b>18%</b>	<b>1%</b>	<b>1%</b>	<b>20%</b>	<b>19%</b>
<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>20%</b>	<b>19%</b>	<b>2%</b>	<b>2%</b>	<b>17%</b>	<b>20%</b>
<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>16%</b>	<b>20%</b>	<b>3%</b>	<b>3%</b>	<b>13%</b>	<b>21%</b>
<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>13%</b>	<b>20%</b>	<b>4%</b>	<b>4%</b>	<b>10%</b>	<b>21%</b>
<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>9%</b>	<b>21%</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>	<b>22%</b>
<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>22%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>19%</b>
<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>16%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>13%</b>
<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>11%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>
<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>
<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>

Rate increases shown are total changes in employee and retiree contributions. The Board may wish to allocated the increase differently by family status, benefit plan, and/or employee/retiree status.

# Appendix D: PSE Active Rate Scenarios



Actives	Current Rates	1% increase	2% increase	3% increase	4% increase	5% increase	6% increase	7% increase	8% increase	9% increase	10% increase	Assumed Enrollment
<b>Premium</b>												
Employee Only	\$179.38	\$181.42	\$183.46	\$185.50	\$187.64	\$189.80	\$191.96	\$194.12	\$196.26	\$198.42	\$200.58	15,959
Employee & Spouse	812.72	821.96	831.20	840.44	850.18	859.94	869.72	879.46	889.24	899.02	908.80	318
Employee & Child(ren)	460.08	465.32	470.54	475.78	481.28	486.82	492.34	497.86	503.40	508.94	514.46	2,044
Family	814.92	824.20	833.44	842.72	852.48	862.26	872.06	881.84	891.66	901.46	911.26	428
Est. Monthly Total (\$mil)	\$4.4	\$4.5	\$4.5	\$4.6	\$4.6	\$4.7	\$4.7	\$4.8	\$4.8	\$4.9	\$4.9	18,749
<b>Classic</b>												
Employee Only	\$45.00	\$45.52	\$46.02	\$46.54	\$47.08	\$47.62	\$48.16	\$48.70	\$49.24	\$49.78	\$50.32	12,875
Employee & Spouse	346.74	350.68	354.62	358.58	362.72	366.88	371.06	375.22	379.38	383.56	387.72	1,288
Employee & Child(ren)	154.90	156.66	158.42	160.18	162.04	163.90	165.76	167.62	169.48	171.34	173.22	4,687
Family	350.36	354.34	358.32	362.32	366.52	370.72	374.94	379.14	383.34	387.56	391.78	2,885
Est. Monthly Total (\$mil)	\$2.8	\$2.8	\$2.8	\$2.9	\$2.9	\$2.9	\$3.0	\$3.0	\$3.0	\$3.1	\$3.1	21,734
<b>Basic</b>												
Employee Only	\$11.00	\$11.12	\$11.26	\$11.38	\$11.50	\$11.64	\$11.78	\$11.90	\$12.04	\$12.16	\$12.30	2,915
Employee & Spouse	266.72	269.76	272.78	275.82	279.02	282.22	285.42	288.62	291.84	295.04	298.26	184
Employee & Child(ren)	119.16	120.52	121.86	123.22	124.66	126.08	127.52	128.94	130.38	131.82	133.24	343
Family	269.50	272.56	275.62	278.70	281.92	285.16	288.40	291.64	294.88	298.12	301.36	320
Est. Monthly Total (\$mil)	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	3,763
Total (Monthly) (\$ mil)	\$7.4	\$7.5	\$7.5	\$7.6	\$7.7	\$7.8	\$7.9	\$8.0	\$8.1	\$8.2	\$8.3	44,246
Est Annual Total (\$ mil)	\$88.6	\$89.6	\$90.6	\$91.6	\$92.7	\$93.7	\$94.8	\$95.9	\$96.9	\$98.0	\$99.1	
<b>Total Active &amp; Ret (\$ mil)</b>												
	\$123.5	\$124.7	\$125.9	\$127.2	\$128.4	\$129.6	\$130.9	\$132.1	\$133.4	\$134.6	\$135.8	
<b>Additional Contrib (\$ mil)</b>												
	\$0.0	\$1.2	\$2.5	\$3.7	\$4.9	\$6.2	\$7.4	\$8.6	\$9.9	\$11.1	\$12.3	

# Appendix D: PSE Retiree Rate Scenarios



NME Retirees	Current Rates	1% increase	2% increase	3% increase	4% increase	5% increase	6% increase	7% increase	8% increase	9% increase	10% increase	Assumed Enrollment
<b>Premium</b>												
Retiree Only	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	1,058
Retiree & NME SP	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	57
Retiree & Child(ren)	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	12
Retiree & NME SP&CH	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	5
Retiree & ME SP	795.12	795.12	795.12	795.12	795.12	795.12	795.12	795.12	795.12	795.12	795.12	84
Retiree & ME SP & CH	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1
Est. Monthly Total (\$mil)	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	1,218
<b>Classic</b>												
Employee Only	\$267.94	\$270.62	\$273.30	\$275.98	\$276.18	\$276.18	\$276.18	\$276.18	\$276.18	\$276.18	\$276.18	1,772
Employee & Spouse	554.68	560.22	565.78	571.32	576.86	582.42	587.96	593.50	599.06	604.60	610.14	257
Employee & Child(ren)	469.82	469.82	469.82	469.82	469.82	469.82	469.82	469.82	469.82	469.82	469.82	49
Family	731.56	738.88	746.20	753.50	760.82	768.14	775.46	782.76	790.08	797.40	800.56	52
Est. Monthly Total (\$mil)	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	2,131
<b>Basic</b>												
Employee Only	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	330
Employee & Spouse	269.72	269.72	269.72	269.72	269.72	269.72	269.72	269.72	269.72	269.72	269.72	49
Employee & Child(ren)	238.52	238.52	238.52	238.52	238.52	238.52	238.52	238.52	238.52	238.52	238.52	13
Family	334.74	335.72	335.72	335.72	335.72	335.72	335.72	335.72	335.72	335.72	335.72	14
Est. Monthly Total (\$mil)	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	406
Total (Monthly) (\$ mil)	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	3,755
Est Annual Total (\$ mil)	\$19.2	\$19.3	\$19.4	\$19.5	\$19.5	\$19.5	\$19.6	\$19.6	\$19.6	\$19.6	\$19.6	
<b>Medicare Eligible</b>												
Retiree Only	\$98.80	\$99.78	\$100.78	\$101.76	\$102.74	\$103.74	\$104.72	\$105.72	\$106.70	\$107.68	\$108.68	10,093
Retiree & NME SP	783.92	783.92	783.92	783.92	783.92	783.92	783.92	783.92	783.92	783.92	783.92	68
Retiree & Child(ren)	757.10	757.10	757.10	757.10	757.10	757.10	757.10	757.10	757.10	757.10	757.10	15
Retiree & NME SP&CH	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1
Retiree & ME SP	257.88	260.46	263.04	265.62	268.20	270.76	273.34	275.92	278.50	281.08	283.66	933
Retiree & ME SP & CH	888.57	888.58	888.58	888.58	888.58	888.58	888.58	888.58	888.58	888.58	888.58	0
Est. Monthly Total (\$mil)	\$1.3	\$1.3	\$1.3	\$1.3	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	11,110
Total (Est. Annual)	\$15.6	\$15.8	\$15.9	\$16.1	\$16.2	\$16.4	\$16.5	\$16.7	\$16.8	\$17.0	\$17.1	

Note: Rates not increased if contribution rate is above total premium

7/12/2016



Classic Values, Innovative Advice

# Appendix D: ASE Rate Scenarios



		CURRENT PLAN DESIGN				ALTERNATIVE PLAN DESIGN			
		2017	2018	2019	2020	2017	2018	2019	2020
	<b>Trend Scenario</b>	6%/10%	6%	6%	6%	6%/10%	6%	6%	6%
<b>Minimum Increase (starting 2017)</b>									
	<b>0%</b>	0%	30%	24%	19%	0%	24%	25%	19%
	<b>1%</b>	1%	29%	24%	19%	1%	22%	26%	19%
	<b>2%</b>	2%	27%	24%	19%	2%	20%	26%	19%
	<b>3%</b>	3%	25%	24%	19%	3%	19%	26%	19%
	<b>4%</b>	4%	24%	25%	18%	4%	17%	26%	18%
	<b>5%</b>	5%	22%	25%	18%	5%	16%	27%	18%
	<b>6%</b>	6%	21%	25%	18%	6%	14%	27%	18%
	<b>7%</b>	7%	19%	25%	18%	7%	13%	27%	18%
	<b>8%</b>	8%	18%	26%	18%	8%	12%	27%	18%
	<b>9%</b>	9%	16%	26%	18%	9%	10%	28%	18%
	<b>10%</b>	10%	15%	26%	18%	10%	10%	26%	18%

Rate increases shown are total changes in employee and retiree contributions. The Board may wish to allocated the increase differently by family status, benefit plan, and/or employee/retiree status.

# Appendix D: ASE Active Rate Scenarios



Actives	Current Rates	1% increase	2% increase	3% increase	4% increase	5% increase	6% increase	7% increase	8% increase	9% increase	10% increase	Assumed Enrollment
<b>Premium</b>												
Employee Only	\$104.78	\$105.82	\$106.88	\$107.92	\$108.98	\$110.02	\$111.06	\$112.12	\$113.16	\$114.22	\$115.26	13,301
Employee & Spouse	379.08	382.88	386.66	390.46	394.24	398.04	401.82	405.62	409.40	413.20	416.98	2,171
Employee & Child(ren)	210.04	212.14	214.24	216.34	218.44	220.54	222.64	224.74	226.84	228.94	231.04	5,021
Family	484.34	489.18	494.02	498.88	503.72	508.56	513.40	518.24	523.08	527.94	532.78	1,970
Est. Monthly Total (\$mil)	\$4.2	\$4.3	\$4.3	\$4.4	\$4.4	\$4.4	\$4.5	\$4.5	\$4.6	\$4.6	\$4.6	22,463
<b>Classic</b>												
Employee Only	\$46.48	\$46.94	\$47.40	\$47.88	\$48.34	\$48.80	\$49.26	\$49.74	\$50.20	\$50.66	\$51.12	1,068
Employee & Spouse	243.02	245.46	247.88	250.32	252.74	255.18	257.60	260.04	262.46	264.90	267.32	139
Employee & Child(ren)	109.46	110.56	111.64	112.74	113.84	114.94	116.02	117.12	118.22	119.32	120.40	298
Family	306.00	309.06	312.12	315.18	318.24	321.30	324.36	327.42	330.48	333.54	336.60	157
Est. Monthly Total (\$mil)	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	1,662
<b>Basic</b>												
Employee Only	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1,159
Employee & Spouse	132.48	133.80	135.12	136.46	137.78	139.10	140.42	141.76	143.08	144.40	145.72	170
Employee & Child(ren)	28.16	28.44	28.72	29.00	29.28	29.56	29.84	30.14	30.42	30.70	30.98	301
Family	160.64	162.24	163.86	165.46	167.06	168.68	170.28	171.88	173.50	175.10	176.70	185
Est. Monthly Total (\$mil)	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	1,816
Total (Monthly) (\$ mil)	\$4.5	\$4.5	\$4.5	\$4.6	\$4.6	\$4.7	\$4.7	\$4.8	\$4.8	\$4.9	\$4.9	25,941
Est Annual Total (\$ mil)	\$53.4	\$53.9	\$54.5	\$55.0	\$55.5	\$56.1	\$56.6	\$57.1	\$57.7	\$58.2	\$58.7	

Total Active & Ret (\$ mil)	\$92.0	\$92.9	\$93.9	\$94.8	\$95.7	\$96.6	\$97.5	\$98.5	\$99.4	\$100.3	\$101.2
Additional Contrib (\$ mil)	\$0.0	\$0.9	\$1.8	\$2.8	\$3.7	\$4.6	\$5.5	\$6.4	\$7.4	\$8.3	\$9.2

# Appendix D: ASE Retiree Rate Scenarios



NME Retirees	Current Rates	1% increase	2% increase	3% increase	4% increase	5% increase	6% increase	7% increase	8% increase	9% increase	10% increase	Assumed Enrollment
<b>Premium</b>												
Retiree Only	\$258.64	\$261.22	\$263.82	\$266.40	\$268.98	\$271.58	\$274.16	\$276.74	\$279.34	\$281.92	\$284.50	1,684
Retiree & NME SP	662.02	668.64	675.26	681.88	688.50	695.12	701.74	708.36	714.98	721.60	728.22	378
Retiree & Child(ren)	477.94	482.72	487.50	492.28	497.06	501.84	506.62	511.40	516.18	520.96	525.74	101
Retiree & NME SP&CH	881.32	890.14	898.94	907.76	916.58	925.38	934.20	943.02	951.82	960.64	969.46	45
Retiree & ME SP	499.78	504.78	509.78	514.78	519.78	524.76	529.76	534.76	539.76	544.76	549.76	192
Retiree & ME SP & CH	719.08	726.28	733.46	740.66	747.84	755.04	762.22	769.42	776.60	783.80	790.98	7
Est. Monthly Total (\$mil)	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$1.0	\$1.0	2,408
<b>Classic</b>												
Employee Only	\$200.34	\$202.34	\$204.34	\$206.36	\$208.36	\$210.36	\$212.36	\$214.36	\$216.36	\$218.38	\$220.38	50
Employee & Spouse	525.96	531.22	536.48	541.74	547.00	552.26	557.52	562.78	568.04	573.30	578.56	14
Employee & Child(ren)	377.36	381.14	384.90	388.68	392.46	396.22	400.00	403.78	407.54	411.32	415.10	2
Family	702.98	710.00	717.04	724.06	731.10	738.12	745.16	752.18	759.22	766.24	773.28	4
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	70
<b>Basic</b>												
Employee Only	\$153.86	\$155.40	\$156.94	\$158.48	\$160.02	\$161.56	\$163.10	\$164.64	\$166.16	\$167.70	\$169.24	27
Employee & Spouse	415.42	419.58	423.72	427.88	432.04	436.20	440.34	444.50	448.66	452.80	456.96	6
Employee & Child(ren)	296.06	299.02	301.98	304.94	307.90	310.86	313.82	316.78	319.74	322.70	325.66	3
Family	557.62	563.20	568.78	574.34	579.92	585.50	591.08	596.66	602.22	607.80	613.38	4
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	40
Total (Monthly) (\$ mil)	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	2,518
Est Annual Total (\$ mil)	\$10.9	\$11.0	\$11.1	\$11.2	\$11.3	\$11.4	\$11.5	\$11.6	\$11.7	\$11.8	\$12.0	
<b>Medicare Eligible</b>												
Retiree Only	\$161.96	\$163.58	\$165.20	\$166.82	\$168.44	\$170.06	\$171.68	\$173.30	\$174.92	\$176.54	\$178.16	6,643
Retiree & NME SP	565.34	571.00	576.64	582.30	587.96	593.60	599.26	604.92	610.56	616.22	621.88	393
Retiree & Child(ren)	381.26	385.08	388.88	392.70	396.52	400.32	404.14	407.94	411.76	415.58	419.38	77
Retiree & NME SP&CH	784.64	792.48	800.34	808.18	816.02	823.88	831.72	839.56	847.42	855.26	863.10	27
Retiree & ME SP	388.02	391.90	395.78	399.66	403.54	407.42	411.30	415.18	419.06	422.94	426.82	2,435
Retiree & ME SP & CH	607.32	613.40	619.46	625.54	631.62	637.68	643.76	649.84	655.90	661.98	668.06	31
Est. Monthly Total (\$mil)	\$2.3	\$2.3	\$2.4	\$2.4	\$2.4	\$2.4	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	9,606
Total (Est. Annual)	\$27.7	\$28.0	\$28.3	\$28.6	\$28.9	\$29.1	\$29.4	\$29.7	\$30.0	\$30.2	\$30.5	

# Appendix E: Assumptions



- Based on actual May 2016 enrollment, medical claims incurred 4/1/2015 – 3/31/2016; pharmacy claims incurred 6/1/2015 – 5/31/2016
  - 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
- Annualized Trend Rates of

	<u>2016</u>	<u>2017</u>
Medical (Actives & NME Retirees)	10%	6%
Medical (ME Retirees)	20%	6%
Pharmacy (all groups)	11%	10%
- 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

# Appendix E: Use & Disclosures



- Projections are based on incurred claim experience as indicated. Incurred claims are completed from paid experience through May 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. Unless otherwise indicated, 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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7/12/2016

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