

**State and Public School Life and  
Health Insurance Board  
Benefits Sub-Committee  
Minutes  
March 5, 2010**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Friday, March 5, 2010, at 9:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

**Members Present**

Jeff Altemus  
Gwen Wiggins  
Janis Harrison  
Shelby McCook  
Bob Alexander

**Members Absent**

Becky Walker  
Lloyd Black

Jason Lee, Executive Director, Employee Benefits Division (EBD).

**Others Present:**

George Platt, Leigh Ann Chrouch, Doug Shackelford; Michelle Hazelett, Stella Greene, Lori Eden, Florence Marvin, Amy Tustison, Amy Redd, Donna Cook, Jane Young, Sherry Bryant, Latryce Taylor, Cathy Harris, EBD; Sherry Saxby, Rhonda Hill, AR Centers for Health Improvement & EBD; Barbara Melugin, Ron Deberry, David Bridges, Kathy Ryan, AR BC/BS Health Advantage; Marc Watts, ASEA; Sarah Sanders, AR Highway & Transportation Dept; Sharon Marcum, LifeSynch; Peggy Nabors, AR Education Association; Shonda Rocke, Alicia Hayden, InformedRx; John Greer, Humana

**Call to Order**

The meeting was called to order by Jeff Altemus, Chairman.

**Approval of Minutes**

A request was made by Altemus to approve the January 19, 2010 minutes. McCook made the motion to approve. Harrison seconded. All were in favor. Minutes Approved.

**BENEFITS STRATEGIC PLANNING WORKGROUP (BSPW) REPORT** *by George Platt, Chairman*

Platt reported the workgroup met on February 2<sup>nd</sup> and they are working on a variety of topics. Platt said currently the workgroup does not have any recommendations for the committee at this time.

Platt reported Christ Pittman with Delta Dental provided a speaker to talk about TMJ. Platt said Dr. Herman Herd provided some interesting facts about the condition and the workgroup asked him to attend the Benefits meeting in April to address the committee members as well.

Platt said the workgroup is also researching a few of the wellness benefits for the Quality of Care Committee.

**PUBLIC SCHOOL EMPLOYEES ACTIVE RATES** *by John Colberg, CHEIRON*  
Colberg presented the preliminary PSE Active Rates for 2010-2011. The information was presented in two formats; prior presentation format and revised presentation format.

Colberg reported a rate increase of \$30 for employee only and \$80 for family. The trend projection for next year is 7% medical, 9% pharmacy inflation.

Colberg presented three rating options for consideration.

- Option #1 Baseline  
Assumes no benefit change or any additional reserve allocation
- Option #2 Full creditability to Novasys/HDPPO  
Re-pricing the NovaSys plan options giving full rating credit to the High Deductible plan as opposed to blending the risk between the two plans.
- Option #3 Baseline with non-Medicare Retirees Blend  
Active employee and the pre-Medicare retiree both pay the \$11.20 subsidy and that the entire contribution is given to the Medicare group, or lower the \$11.20 subsidy by whatever amount their premium increases so that this “blending” would have no effect.

Lee commented option # 2 will create a significant price difference between the Health Advantage POS and the NovaSys POS plan and so he has concerns about the viability of the NovaSys plan if they were to give full rating credit to the High Deductible plan.

A discussion ensued.

McCook said he believes it time they move towards giving actual costs to the HDPPO plan. McCook said they have not been aggressive enough in the past.

The committee reviewed a comparison of the rates with the three options.

Chairman Altemus said they will need to find a way to lower the rate increases. Altemus said blending non-Medicare retirees in with the actives is an interesting option to help reduce premiums, but he does not want to do a lot of harm to the actives in the process.

Chairman Altemus said public schools have really struggled the last few years without pay increases. Altemus said his district will receive a small pay increase this year but the premium increases presented in the meeting will consume those increases for those employees enrolled in the family plans.

Altemus requested Cheiron bring back information on projected reserve amounts that can be allocated, and some scenarios of reserves calculated into the rates.

Lee informed the committee the rates assume no benefit design changes and so a small change in the co pays and deductibles will decrease the rates. Lee referenced the January financials

Lee said they will put together some plan designs so the committee can review three health plan options.

**DIRECTOR REPORT** *by Jason Lee*

Lee informed the committee they are moving forward with the dependent age change process. The special enrollment period is March 1, through May 31, 2010. Members will need to complete a change form to enroll dependents for coverage. The effective date of coverage will depend on when the change form is received. Change Form submitted in March will be effective April 1. Change Form submitted in April will be effective May 1. Change Form submitted in May will be effective June 1.

**Meeting adjourned.**

# **AGENDA**

**State and Public School Life  
And Health Insurance Board  
Benefit Sub-Committee  
EBD Board Room  
501 Building, 5<sup>th</sup> Floor  
9:00 p.m.  
March 5, 2010**

1. **Call to Order** ..... *Jeff Altemus, Chairman*
2. **Approval of Minutes** ..... *Jeff Altemus, Chairman*
3. **BSPW Report** ..... *George Platt, EBD*
4. **2011 PSE Preliminary Active Rates** ..... *John Colberg, Cheiron*
5. **Director's Report** ..... *Jason Lee, EBD*

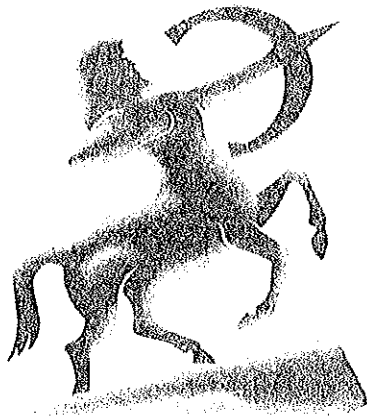
**Next Meeting  
April 9, 2010**

# Arkansas Public School Employees Health Benefits Program

## Preliminary PSE Active Rates for 2010-2011

John Colberg, FSA  
Karen Mallett, FSA

March 5, 2010





# Topics

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## Highlights

- o Active employee rating tiers and relativities remain unchanged

o Rate Increase	<u>2009 - 2010</u>	<u>2010 - 2011</u>
Health Advantage	1%	6%
NovaSys ARHealth	2%	4%
NovaSys HDPPO	-5%	4%
Rx	3%	12%
Corp Health <sup>[1]</sup>	0%	0%

o Funding	<u>2009 - 2010</u>	<u>2010 - 2011</u>
Base (per employee)	\$131.00	\$131.00
Act 1842	\$35M	\$35M
Act 1421	\$15M	\$15M
Reserve	\$4M	\$0M <sup>[2]</sup>

[1] Assumed no rate change for Corp Health. Final Corp Health rates will be available on or after 4/1/10.

[2] 30% of the \$4M reserve is carried into 2010 - 2011.



## Basis for Underwriting

- o Health Advantage and Novasys underwriting is based on claims incurred between January 2009 and December 2009 (paid through December 2009)
- o Pharmacy underwriting is based on claims paid between January 2009 and December 2009
- o Underwriting is performed at the benefit administrator level
- o Maintained current \$11.20 retiree subsidy
- o Maintained current vendor fees; updated EBD administrative costs.
- o Assumed no benefit changes

o Assumed annual trends	<u>2009 - 2010</u>	<u>2010 - 2011</u>
Medical	7.0%	7.0%
Prescription Drug	9.0%	9.0%
Behavioral Health/EAP	0.0%	0.0%





# Rate Development

Category		Health Advantage	NovaSys			Informed Rx
		AR Health	AR Health	AR Health HD PPO	Total	Total
Incurred Claims <sup>1</sup>		\$137,793,513	\$21,520,287	\$4,142,383	\$25,662,671	\$45,712,641
Member Months	/	630,593	79,960	39,740	119,700	750,293
Incurred PMPM	=	\$218.51	\$269.14	\$104.24	\$214.39	\$60.93
10/2009 -> 09/2010 Benefit Changes	x	1.008	1.008	1.008	1.008	1.000
10/2010 -> 09/2011 Benefit Changes	x	1.000	1.000	1.000	1.000	1.000
Trend Factor	x	1.126	1.126	1.126	1.126	1.163
Demographic Change Factor	x	<u>0.990</u>	<u>0.990</u>	<u>0.990</u>	<u>0.920</u>	<u>0.990</u>
Trended Adjusted Incurred PMPM	=	\$245.43	\$302.40	\$117.15	\$223.96	\$70.14
Current Subscribers		38,776	3,829	2,515		45,120
Members / Subscribers	x	<u>1.41</u>	<u>1.42</u>	<u>1.59</u>		<u>1.42</u>
Net Claims PEPM		\$346.57	\$428.92	\$185.81		\$99.76
Vendor Admin Fees <sup>2</sup>	+	\$27.13	\$13.90	\$13.90		\$1.45
Plan Administration <sup>2</sup>	+	<u>\$9.26</u>	<u>\$9.26</u>	<u>\$9.26</u>		<u>\$0.00</u>
Total Administrative Costs PEPM	=	\$36.39	\$23.16	\$23.16		\$1.45
Gross Claims PEPM for Rating Period (Calculated)	=	\$382.96	\$452.08	\$208.97	\$355.70	\$101.21
Premium Rate PEPM (as of 03/2010)	/	\$360.11	\$386.83	\$274.38	\$354.05	\$90.34
Required Increase (Calculated)		6.3%	16.9%	-23.8%	0.5%	12.0%
Required Increase (Blended)		6.3%	4.0%	3.8%	0.5%	12.0%

[1] Medical incurred claims for the period 1/09 through 12/09 with payments through 12/09. Rx paid claims for the period 1/09 through 12/09.

[2] Vendor admin fees are at 2010 level. Plan administration is updated to reflect 2011 admin costs.



# State Contributions

Actives	Medical	Prescription	Corp	Retirement	Total Monthly	Base	Act 1842	Act 1421	Reserve	2011 Monthly	2010 Total	Change in		Eligibility
		Drug	Health	Subsidy	Premium							Allocation	Employee	
Employee Only														(Subscribers)
Health Advantage	\$300.42	\$80.32	\$6.04	\$11.20	\$397.98	(\$131.00)	(\$57.59)	(\$24.68)	(\$1.97)	\$182.73	\$152.69	\$30.04	20%	Dec-09
Novasys	315.26	80.32	6.04	11.20	412.82	(131.00)	(57.59)	(24.68)	(1.97)	197.57	173.33	24.24	14%	
Novasys HD PPO	207.61	55.62	6.04	11.20	280.47	(131.00)	(57.59)	(24.68)	(1.97)	65.22	48.19	17.03	35%	
Employee & Spouse														
Health Advantage	\$838.14	\$224.10	\$9.08	\$11.20	\$1,082.53	(\$131.00)	(\$102.40)	(\$43.89)	(\$3.51)	\$801.73	\$721.45	\$80.28	11%	
Novasys	879.56	224.10	9.08	11.20	1,123.94	(131.00)	(102.40)	(43.89)	(3.51)	843.14	779.05	64.09	8%	
Novasys HD PPO	579.24	155.18	9.08	11.20	754.70	(131.00)	(102.40)	(43.89)	(3.51)	473.91	429.93	43.98	10%	
Employee & Child(ren)														
Health Advantage	\$540.73	\$144.57	\$7.86	\$11.20	\$704.36	(\$131.00)	(\$78.45)	(\$33.63)	(\$2.69)	\$458.59	\$406.05	\$52.54	13%	
Novasys	567.44	144.57	7.86	11.20	731.08	(131.00)	(78.45)	(33.63)	(2.69)	485.31	443.21	42.10	9%	
Novasys HD PPO	373.70	100.11	7.86	11.20	492.87	(131.00)	(78.45)	(33.63)	(2.69)	247.10	217.98	29.12	13%	
Family														
Health Advantage	\$841.12	\$224.89	\$13.08	\$11.20	\$1,090.29	(\$131.00)	(\$106.04)	(\$45.45)	(\$3.63)	\$804.16	\$723.40	\$80.76	11%	
Novasys	882.68	224.89	13.08	11.20	1,131.84	(131.00)	(106.04)	(45.45)	(3.63)	845.72	781.20	64.52	8%	
Novasys HD PPO	581.30	155.72	13.08	11.20	761.30	(131.00)	(106.04)	(45.45)	(3.63)	475.17	430.84	44.33	10%	
Est. Monthly Cost	\$16,964,044	\$4,517,119	\$305,159	\$505,344	\$22,291,666	(\$5,910,720)	(\$2,916,667)	(\$1,250,000)	(\$100,000)	\$12,114,280				45,120
Est Annual Cost	\$203,568,531	\$54,205,424	\$3,661,911	\$6,064,128	\$267,499,994	(\$70,928,640)	(\$35,000,000)	(\$15,000,000)	(\$1,200,000)	\$145,371,354				





## Option 1 - Baseline

CHEIRON

### Participant Contribution

SCA

ASE -PYE	ALLOCATED RESERVES			
	2010	2011	2012	2013
Actives - 12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$0.00	\$0.00	\$0.00	\$0.00

PSE -- PYE				
	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.0
Retiree NME -12/31	\$2.20	\$1.32	\$0.88	\$0.0
Retiree ME -12/31	\$1.80	\$1.08	\$0.72	\$0.0

RETIREE SUBSIDY FROM ACTIVES				
PSE	\$11.20	\$11.20	\$11.20	\$11.20

ASE	STATE/EMPLOYER FUNDING			
	2010	2011	2012	2013
Base Contr.	\$390	\$390	\$390	\$390
% for Ee	76%	75%	75%	75%
% for Dep	51%	50%	50%	50%

PSE				
	2010	2011	2012	2013
Base Contr.	\$131	\$131	\$131	\$131
Act 1842(\$mil)	\$35.0	\$35.0	\$35.0	\$35.0
Act 1421(\$mil)	\$15.0	\$15.0	\$15.0	\$15.0
Other(\$mil)	\$0.0	\$0.0	\$0.0	\$0.0

RATES	2011	Actives		Participant Contrib		
		PSE				
EYAS: FINE:		Ee	Ee/Sp	Ee/Ch(d)	Ee/m	N/A
Health/Adv		152.70	721.46	406.06	723.40	N/A
Nov/ys		173.34	779.06	443.22	781.20	N/A
Health/PO		48.20	429.94	217.98	430.84	N/A
REYAS: FID						
Health/Adv		182.73	801.73	458.59	804.16	N/A
Nov/ys		197.57	843.14	485.31	845.72	N/A
Health/PO		65.22	473.91	247.10	475.17	N/A
CHYAN: C						
Health/Adv		30.03	80.27	52.53	80.76	N/A
Nov/ys		24.23	64.08	42.09	64.52	N/A
Health/PO		17.02	43.97	29.12	44.33	N/A

Financial Forecast		PSE		
Plan Year Ending		2010	2011	2012
Assets Controlled		72,090	72,101	72,101
Income (Initial/End)				
State/Disb		\$120.5	\$120.9	\$120.9
Active Contribution		131.3	145.4	163.6
Retiree Contribution		14.1	21.5	24.5
Total Income		1.5	1.1	1.1
Total Income		\$267.4	\$288.9	\$310.1
Total Claims & Exp.		\$263.0	\$285.5	\$305.2
Annual Gain/(Loss)		\$4.4	\$3.3	\$4.9
Assets (EOY)		\$73.3	\$76.6	\$81.5
Net Assets		\$44.6	\$45.9	\$49.0

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

# Option 1 – Baseline

*Michael - STorm  
mil*

Activities	Medical	Prescription Drug	Corp Health	Retirement Subsidy	Total Monthly Premium	Voluntary Contrib	Voluntary Contrib	Rea Alloc	School District Contrib	2006 Total PEGOR	2007 Total PEGOR	Group Voluntary (2007)	Voluntary Enrollment	
Health Advantage														
Employee Only	\$300.42	\$80.32	\$6.04	\$11.20	\$397.98	\$57.59	\$24.68	\$1.97	\$131.00	\$182.73	\$152.69	\$30.04	20%	30,233
Employee & Spouse	838.14	224.10	9.08	11.20	1,082.53	102.40	43.89	3.51	131.00	801.73	721.45	80.28	11%	1,596
Employee & Child(ren)	540.73	144.57	7.86	11.20	704.36	78.45	33.63	2.69	131.00	458.59	406.05	52.54	13%	5,116
Family	841.12	224.89	13.08	11.20	1,090.29	106.04	45.45	3.63	131.00	804.16	723.40	80.76	11%	1,831
Est. Monthly Cost (\$ mil)	\$14.7	\$3.9	\$0.3	\$0.4	\$19.4	\$2.5	\$1.1	\$0.1	\$5.1	\$10.6				38,776
Novitas														
Employee Only	\$315.26	\$80.32	\$6.04	\$11.20	\$412.82	\$57.59	\$24.68	\$1.97	\$131.00	\$197.57	\$173.33	\$24.24	14%	3,009
Employee & Spouse	879.56	224.10	9.08	11.20	1,123.94	102.40	43.89	3.51	131.00	843.14	\$779.05	64.09	8%	114
Employee & Child(ren)	567.44	144.57	7.86	11.20	731.08	78.45	33.63	2.69	131.00	485.31	\$443.21	42.10	9%	515
Family	882.68	224.89	13.08	11.20	1,131.84	106.04	45.45	3.63	131.00	845.72	\$781.20	64.52	8%	191
Est. Monthly Cost (\$ mil)	\$1.5	\$0.4	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1				3,829
Novitas HDPRO														
Employee Only	\$207.61	\$55.62	\$6.04	\$11.20	\$280.47	\$57.59	\$24.68	\$1.97	\$131.00	\$65.22	\$48.19	\$17.03	35%	1,834
Employee & Spouse	579.24	155.18	9.08	11.20	754.70	102.40	43.89	3.51	131.00	473.91	429.93	43.98	10%	155
Employee & Child(ren)	373.70	100.11	7.86	11.20	492.87	78.45	33.63	2.69	131.00	247.10	217.98	29.12	13%	234
Family	581.30	155.72	13.08	11.20	761.30	106.04	45.45	3.63	131.00	475.17	430.84	44.33	10%	292
Est. Monthly Cost (\$ mil)	\$0.7	\$0.2	\$0.0	\$0.0	\$1.0	\$0.2	\$0.1	\$0.0	\$0.3	\$0.4				2,515
Total (Monthly) (\$ mil)	\$17.0	\$4.5	\$0.3	\$0.5	\$22.3	\$2.9	\$1.3	\$0.1	\$5.9	\$12.1				45,120
Est Annual Cost (\$ mil)	\$203.6	\$54.2	\$3.7	\$6.1	\$267.5	\$35.0	\$15.0	\$1.2	\$70.9	\$145.4				

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





## Option 2 - Full Credibility to Novasys/HDPPO

CHEIRON

### Participant Contributions

SCA

ALLOCATED RESERVES				
ASE -PYE	2010	2011	2012	2013
Actives - 12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$0.00	\$0.00	\$0.00	\$0.00

PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.0
Retiree NME -12/31	\$2.20	\$1.32	\$0.88	\$0.0
Retiree ME -12/31	\$1.80	\$1.08	\$0.72	\$0.0

RETIREE SUBSIDY FROM ACTIVES				
PSE	\$11.20	\$11.20	\$11.20	\$11.20

STATE/EMPLOYER FUNDING				
ASE	2010	2011	2012	2013
Base Contr.	\$390	\$390	\$390	\$390
% for Ee	76%	75%	75%	75%
% for Dep	51%	50%	50%	50%

PSE	2010	2011	2012	2013
Base Contr.	\$131	\$131	\$131	\$131
Act 1842(\$mil)	\$35.0	\$35.0	\$35.0	\$35.0
Act 1421(\$mil)	\$15.0	\$15.0	\$15.0	\$15.0
Other(\$mil)	\$0.0	\$0.0	\$0.0	\$0.0

RATES	2011	Actives		Participant Contrib.		
PSE						
BASELINE	Ee	Ee/Sp	Ee/Or(n)	Retire	N/A	N/A
Health/Adv	152.70	721.46	406.06	723.40	N/A	N/A
Novasys	173.34	779.06	443.22	781.20	N/A	N/A
HDPPO	48.20	429.94	217.98	430.84	N/A	N/A
REVENUE						
Health/Adv	182.73	801.73	458.59	804.16	N/A	N/A
Novasys	236.58	951.98	555.53	954.94	N/A	N/A
HDPPO	9.96	319.74	147.64	320.45	N/A	N/A
CHARGE						
Health/Adv	30.03	80.27	52.53	80.76	N/A	N/A
Novasys	63.24	172.92	112.31	173.74	N/A	N/A
HDPPO	(38.24)	(110.20)	(70.34)	(110.39)	N/A	N/A

Financial Forecast			PSE	
Plan Year Ending	2010	2011	2012	
Average Enrolled	72,090	72,101	72,101	
Income (in millions)				
State/Dep't	\$120.5	\$120.9	\$120.9	
Active Contribution	131.3	145.3	163.5	
Retiree Contribution	14.1	21.5	24.5	
Other Income	1.5	1.1	1.1	
Total Income	\$267.4	\$288.8	\$310.0	
Total Claims & Exp.	\$263.0	\$285.5	\$305.2	
Annual Return (Loss)	\$4.4	\$3.3	\$4.8	
Assets at EOY	\$73.3	\$76.5	\$81.3	
Net Assets	\$44.6	\$45.8	\$48.8	

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



## Option 2 - Full Credibility to Novasys/HDPPO

Actives	Medical	Prescription Drug	Corp Health	Retirement (Savings)	Total Monthly Premium	Novasys (Monthly)	Novasys (Monthly)	Res. Allow.	Collect. Benefit (Monthly)	Novasys/HDPPO (Monthly)	Novasys/HDPPO (Monthly)	Change (Monthly)	Change (%)	Most Recent Enrollment
<b>Health Advantage</b>														
Employee Only	\$300.42	\$80.32	\$6.04	\$11.20	\$397.98	\$57.59	\$24.68	\$1.97	\$131.00	\$182.73	\$152.69	\$30.04	20%	30,233
Employee & Spouse	838.14	224.10	9.08	11.20	1,082.53	102.40	43.89	3.51	131.00	801.73	721.45	80.28	11%	1,596
Employee & Child(ren)	540.73	144.57	7.86	11.20	704.36	78.45	33.63	2.69	131.00	458.59	406.05	52.54	13%	5,116
Family	841.12	224.89	13.08	11.20	1,090.29	106.04	45.45	3.63	131.00	804.16	723.40	80.76	11%	1,831
Est. Monthly Cost (\$ mil)	\$14.7	\$3.9	\$0.3	\$0.4	\$19.4	\$2.5	\$1.1	\$0.1	\$5.1	\$10.6				38,776
<b>Novasys</b>														
Employee Only	\$354.27	\$80.32	\$6.04	\$11.20	\$451.83	\$57.59	\$24.68	\$1.97	\$131.00	\$236.58	\$173.33	\$63.25	36%	3,009
Employee & Spouse	988.40	224.10	9.08	11.20	1,232.78	102.40	43.89	3.51	131.00	951.98	\$779.05	172.93	22%	114
Employee & Child(ren)	637.66	144.57	7.86	11.20	801.29	78.45	33.63	2.69	131.00	555.53	\$443.21	112.32	25%	515
Family	991.90	224.89	13.08	11.20	1,241.07	106.04	45.45	3.63	131.00	954.94	\$781.20	173.74	22%	191
Est. Monthly Cost (\$ mil)	\$1.7	\$0.4	\$0.0	\$0.0	\$2.1	\$0.2	\$0.1	\$0.0	\$0.5	\$1.3				3,829
<b>Novasys/HDPPO</b>														
Employee Only	\$152.35	\$55.62	\$6.04	\$11.20	\$225.21	\$57.59	\$24.68	\$1.97	\$131.00	\$9.96	\$48.19	(\$38.23)	-79%	1,834
Employee & Spouse	425.07	155.18	9.08	11.20	600.53	102.40	43.89	3.51	131.00	319.74	429.93	(110.19)	-26%	155
Employee & Child(ren)	274.24	100.11	7.86	11.20	393.41	78.45	33.63	2.69	131.00	147.64	217.98	(70.34)	-32%	234
Family	426.58	155.72	13.08	11.20	606.58	106.04	45.45	3.63	131.00	320.45	430.84	(110.39)	-26%	292
Est. Monthly Cost (\$ mil)	\$0.5	\$0.2	\$0.0	\$0.0	\$0.8	\$0.2	\$0.1	\$0.0	\$0.3	\$0.2				2,515
<b>Total (Monthly) (\$ mil)</b>	<b>\$17.0</b>	<b>\$4.5</b>	<b>\$0.3</b>	<b>\$0.5</b>	<b>\$22.3</b>	<b>\$2.9</b>	<b>\$1.3</b>	<b>\$0.1</b>	<b>\$5.9</b>	<b>\$12.1</b>				<b>45,120</b>
<b>Est Annual Cost (\$ mil)</b>	<b>\$203.5</b>	<b>\$54.2</b>	<b>\$3.7</b>	<b>\$6.1</b>	<b>\$267.4</b>	<b>\$35.0</b>	<b>\$15.0</b>	<b>\$1.2</b>	<b>\$70.9</b>	<b>\$145.3</b>				

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







## Option 3 – Baseline with Non-Medicare Retirees Blended

CHEIRON

### Participant Contributions

1-sca

ASE -PYE	ALLOCATED RESERVES			
	2010	2011	2012	2013
Actives - 12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$0.00	\$0.00	\$0.00	\$0.00

PSE -- PYE				
	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.0
Retiree NME -12/31	\$2.20	\$1.32	\$0.88	\$0.0
Retiree ME -12/31	\$1.80	\$1.08	\$0.72	\$0.0

RETIREE SUBSIDY FROM ACTIVES				
PSE	\$11.20	\$11.20	\$11.20	\$11.20

ASE	STATE/EMPLOYER FUNDING			
	2010	2011	2012	2013
Base Contr.	\$390	\$390	\$390	\$390
% for Ea	76%	75%	75%	75%
% for Dep	51%	50%	50%	50%

PSE				
	2010	2011	2012	2013
Base Contr.	\$131	\$131	\$131	\$131
Act 1842(\$mil)	\$35.0	\$35.0	\$35.0	\$35.0
Act 1421(\$mil)	\$15.0	\$15.0	\$15.0	\$15.0
Other(\$mil)	\$0.0	\$0.0	\$0.0	\$0.0

RATES	2011	Actives			Participant Contrib.	
BASELINE	PSE					
	Ea	Ea/Sp	Ea/Ch(In)	Plan	N/A	N/A
Health/Adv	152.70	721.46	406.06	723.40	N/A	N/A
Novsys	173.34	779.06	443.22	781.20	N/A	N/A
DDPPO	48.20	429.94	217.98	430.84	N/A	N/A
REVISID						
Health/Adv	191.26	825.53	473.95	828.05	N/A	N/A
Novsys	201.32	853.62	492.07	856.23	N/A	N/A
DDPPO	67.82	481.16	251.78	482.45	N/A	N/A
CHANGE						
Health/Adv	38.56	104.07	67.89	104.65	N/A	N/A
Novsys	27.98	74.56	48.85	75.03	N/A	N/A
DDPPO	19.62	51.22	33.80	51.61	N/A	N/A

Financial Forecast		PSE		
Plan Year Ending		2010	2011	2012
Assets Held		72,090	72,101	72,101
Income - (in millions)				
State/Plan		\$120.5	\$120.9	\$120.9
Active Contribution		131.3	150.7	169.3
Retiree Contribution		14.1	16.2	17.0
Other Income		1.5	1.1	1.1
Total Income		\$267.4	\$288.9	\$308.4
Total Claims & Exp		\$263.0	\$285.5	\$305.2
Annual Gain/(Loss)		\$4.4	\$3.4	\$3.2
Assets Held		\$73.3	\$76.7	\$79.9
Net Assets		\$44.6	\$45.9	\$47.4

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



## Option 3 - Baseline with Non-Medicare Retirees Blended

Active	Medical	Prescription Drug	Cap. Health	Retirement Savings	Total Monthly Premium	AMBA2 Contrib.	AMBA21 Contrib.	Ret. Alloc.	Global Dental Contrib.	2010 Total Payroll	2010 Total Payroll	Change in Payroll (\$ mil)	%	Total Payroll
<b>Health Advantage</b>														
Employee Only	\$305.19	\$84.08	\$6.04	\$11.20	\$406.51	\$57.59	\$24.68	\$1.97	\$131.00	\$191.26	\$152.69	\$38.57	25%	30,233
Employee & Spouse	851.47	234.58	9.08	11.20	1,106.33	102.40	43.89	3.51	131.00	825.53	721.45	104.08	14%	1,596
Employee & Child(ren)	549.32	151.33	7.86	11.20	719.71	78.45	33.63	2.69	131.00	473.95	406.05	67.90	17%	5,116
Family	854.49	235.40	13.08	11.20	1,114.17	106.04	45.45	3.63	131.00	828.05	723.40	104.65	14%	1,831
<b>Total Monthly Cost (\$ mil)</b>	<b>\$1,510</b>	<b>\$415</b>	<b>\$108</b>	<b>\$124</b>	<b>\$1,757</b>	<b>\$239</b>	<b>\$114</b>	<b>\$104</b>	<b>\$664</b>	<b>\$1,610</b>	<b>\$1,301</b>	<b>\$309</b>		<b>38,776</b>
<b>Novasys</b>														
Employee Only	\$315.26	\$84.08	\$6.04	\$11.20	\$416.58	\$57.59	\$24.68	\$1.97	\$131.00	\$201.32	\$173.33	\$27.99	16%	3,009
Employee & Spouse	879.56	234.58	9.08	11.20	1,134.42	102.40	43.89	3.51	131.00	853.62	\$779.05	74.57	10%	114
Employee & Child(ren)	567.44	151.33	7.86	11.20	737.84	78.45	33.63	2.69	131.00	492.07	\$443.21	48.86	11%	515
Family	882.68	235.40	13.08	11.20	1,142.36	106.04	45.45	3.63	131.00	856.23	\$781.20	75.03	10%	191
<b>Total Monthly Cost (\$ mil)</b>	<b>\$1,155</b>	<b>\$415</b>	<b>\$108</b>	<b>\$124</b>	<b>\$1,202</b>	<b>\$239</b>	<b>\$114</b>	<b>\$104</b>	<b>\$664</b>	<b>\$1,111</b>	<b>\$999</b>	<b>\$112</b>		<b>3,829</b>
<b>Novasys HD RPO</b>														
Employee Only	\$207.61	\$58.22	\$6.04	\$11.20	\$283.07	\$57.59	\$24.68	\$1.97	\$131.00	\$67.82	\$48.19	\$19.63	41%	1,834
Employee & Spouse	579.24	162.44	9.08	11.20	761.96	102.40	43.89	3.51	131.00	481.16	429.93	51.23	12%	155
Employee & Child(ren)	373.70	104.79	7.86	11.20	497.55	78.45	33.63	2.69	131.00	251.78	217.98	33.80	16%	234
Family	581.30	163.00	13.08	11.20	768.58	106.04	45.45	3.63	131.00	482.45	430.84	51.61	12%	292
<b>Total Monthly Cost (\$ mil)</b>	<b>\$907</b>	<b>\$415</b>	<b>\$108</b>	<b>\$124</b>	<b>\$1,154</b>	<b>\$239</b>	<b>\$114</b>	<b>\$104</b>	<b>\$664</b>	<b>\$1,014</b>	<b>\$904</b>	<b>\$110</b>		<b>2,515</b>
<b>Total Monthly Cost (\$ mil)</b>	<b>\$1,772</b>	<b>\$415</b>	<b>\$108</b>	<b>\$124</b>	<b>\$2,217</b>	<b>\$239</b>	<b>\$114</b>	<b>\$104</b>	<b>\$664</b>	<b>\$1,216</b>	<b>\$1,101</b>	<b>\$115</b>		<b>45,120</b>
<b>Est Annual Cost (\$ mil)</b>	<b>\$206.4</b>	<b>\$56.7</b>	<b>\$3.7</b>	<b>\$6.1</b>	<b>\$272.8</b>	<b>\$35.0</b>	<b>\$15.0</b>	<b>\$1.2</b>	<b>\$70.9</b>	<b>\$150.7</b>				

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



## Option 3 - Baseline with Non-Medicare Retirees Blended

Retirees	Medical	Prescription Drug	Corp Health	Medicare Subsidy	Total Monthly Premium	Subsidy from Active Employees	Reserve Allocation			2010 Total Cost	2010 Total Cost	Change from 2009 (\$/M)	% Change	Medicare Enrollment
<b>Non-Medicare Eligible</b>														
Retiree Only	\$310.40	\$85.91	\$6.04	\$11.20	\$413.55	\$0.00	\$57.89			\$355.65	\$527.62	(\$171.97)	-33%	1,686
Retiree & NME SP	865.99	239.69	9.08	11.20	1,125.96	0.00	57.89			1,068.07	1,213.72	(145.65)	-12%	201
Retiree & Child(ren)	558.69	154.63	7.86	11.20	732.38	0.00	57.89			674.49	939.28	(264.79)	-28%	11
Retiree & NME SP & CH	869.07	240.53	13.08	11.20	1,133.88	0.00	57.89			1,075.98	1,900.80	(824.82)	-43%	2
Retiree & ME SP	472.04	85.91	6.04	11.20	575.19	0.00	57.89			517.30	674.59	(157.29)	-23%	-
Retiree & ME SP & CH	719.55	154.63	7.86	11.20	893.24	0.00	57.89			835.34	1,087.73	(252.39)	-23%	-
<b>Estimated Total (\$/M)</b>	<b>\$0.7</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.9</b>	<b>\$0.0</b>	<b>\$0.1</b>			<b>\$0.8</b>				<b>1,900</b>
<b>Medicare Eligible</b>														
Retiree Only	\$173.52	Not Offered	Not Offered		\$173.52	\$101.02	\$17.26			\$55.24	\$50.92	\$4.32	8%	4,635
Retiree & NME SP	729.12	\$153.78	Not Offered		882.90	101.02	17.26			764.61	716.78	47.83	7%	134
Retiree & Child(ren)	421.82	68.72	Not Offered		490.54	101.02	17.26			372.25	450.43	(78.18)	-17%	13
Retiree & NME SP & CH	732.19	154.62	Not Offered		886.81	101.02	17.26			768.53	1,116.29	(347.76)	-31%	3
Retiree & ME SP	329.75	Not Offered	Not Offered		329.75	101.02	17.26			211.47	190.03	21.44	11%	426
Retiree & ME SP & CH	332.83	0.84	Not Offered		333.67	101.02	17.26			215.38	589.53	(374.15)	-63%	2
<b>Total Monthly Cost</b>	<b>\$1.1</b>	<b>\$0.0</b>			<b>\$1.1</b>	<b>\$0.6</b>	<b>\$0.1</b>			<b>\$0.5</b>				<b>5,213</b>
<b>Total (Est. Monthly)</b>	<b>\$1.8</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$2.0</b>	<b>\$0.6</b>	<b>\$0.2</b>			<b>\$1.3</b>				<b>7,113</b>
<b>Total (Est. Annual)</b>	<b>\$21.1</b>	<b>\$2.6</b>	<b>\$0.1</b>	<b>\$0.3</b>	<b>\$24.1</b>	<b>\$6.3</b>	<b>\$2.4</b>			<b>\$15.4</b>				

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



# Comparison of Rates

	Total Monthly Premium			2010/2011 Total Cost (to Participant)		
Actives	Option 1 - Baseline	Option 2 - Full Cred	Option 3 - Blend Ret.	Option 1 - Baseline	Option 2 - Full Cred	Option 3 - Blend Ret.
<b>Health Advantage</b>						
Employee Only	\$397.98	\$397.98	\$406.51	\$182.73	\$182.73	\$191.26
Employee & Spouse	1,082.53	1,082.53	1,106.33	801.73	801.73	825.53
Employee & Child(ren)	704.36	704.36	719.71	458.59	458.59	473.95
Family	1,090.29	1,090.29	1,114.17	804.16	804.16	828.05
Est. Monthly Cost (\$ mil)	\$19.4	\$19.4	\$19.8	\$10.6	\$10.6	\$11.0
<b>Novasys</b>						
Employee Only	\$412.82	\$451.83	\$416.58	\$197.57	\$236.58	\$201.32
Employee & Spouse	1,123.94	1,232.78	1,134.42	843.14	951.98	853.62
Employee & Child(ren)	731.08	801.29	737.84	485.31	555.53	492.07
Family	1,131.84	1,241.07	1,142.36	845.72	954.94	856.23
Est. Monthly Cost (\$ mil)	\$20	\$2.1	\$2.0	\$1.1	\$1.3	\$1.1
<b>Novasys HDIPO</b>						
Employee Only	\$280.47	\$225.21	\$283.07	\$65.22	\$9.96	\$67.82
Employee & Spouse	754.70	600.53	761.96	473.91	319.74	481.16
Employee & Child(ren)	492.87	393.41	497.55	247.10	147.64	251.78
Family	761.30	606.58	768.58	475.17	320.45	482.45
Est. Monthly Cost (\$ mil)	\$1.0	\$0.8	\$1.0	\$0.4	\$0.2	\$0.4
Total (Monthly) (\$ mil)	\$22.3	\$22.3	\$22.7	\$12.1	\$12.1	\$12.6
Est Annual Cost (\$ mil)	\$267.5	\$267.4	\$272.8	\$145.4	\$145.3	\$150.7



# Appendix A – 2009-2010 Final Rate Details

Active	2009-2010 Rate	Health Plan	Life Plan	Retire Plan	Total Monthly Premium	Adm/2 Contrib	Adm/24 Contrib	Res. Alloc.	School District Contrib	2009-2010 Rate	2009-2010 Rate	Change/Rate (%)	2009-2010 Rate
<b>Health Advantage</b>													
Employee Only	\$282.49	\$71.70	\$6.04	\$11.20	\$371.43	\$58.93	\$25.42	\$3.39	\$131.00	\$152.69	\$180.36	(\$27.67)	-15%
Employee & Spouse	788.13	200.04	9.08	11.20	1,008.45	104.77	45.20	6.03	131.00	721.45	770.62	(49.17)	-6%
Employee & Child(ren)	508.46	129.05	7.86	11.20	656.57	80.27	34.63	4.62	131.00	406.05	434.58	(28.53)	-7%
Family	790.93	200.74	13.08	11.20	1,015.95	108.50	46.81	6.24	131.00	723.40	773.30	(49.90)	-6%
<b>Novitas (HMO)</b>													
Employee Only	\$303.13	\$71.70	\$6.04	\$11.20	\$392.07	\$58.93	\$25.42	\$3.39	\$131.00	\$173.33	\$185.30	(\$11.97)	-6%
Employee & Spouse	845.73	200.04	9.08	11.20	1,066.05	104.77	45.20	6.03	131.00	779.05	784.42	(5.37)	-1%
Employee & Child(ren)	545.62	129.05	7.86	11.20	693.73	80.27	34.63	4.62	131.00	443.21	443.48	(0.27)	0%
Family	848.73	200.74	13.08	11.20	1,073.75	108.50	46.81	6.24	131.00	781.20	787.14	(5.94)	-1%
<b>Novitas (HMO)</b>													
Employee Only	\$200.04	\$49.65	\$6.04	\$11.20	\$266.93	\$58.93	\$25.42	\$3.39	\$131.00	\$48.19	\$99.84	(\$51.65)	-52%
Employee & Spouse	558.13	138.52	9.08	11.20	716.93	104.77	45.20	6.03	131.00	429.93	545.98	(116.05)	-21%
Employee & Child(ren)	360.08	89.36	7.86	11.20	468.50	80.27	34.63	4.62	131.00	217.98	289.66	(71.68)	-25%
Family	560.11	139.00	13.08	11.20	723.39	108.50	46.81	6.24	131.00	430.84	547.86	(117.02)	-21%
<b>Novitas (HMO)</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	\$0.00	200%
<b>Total (HMO)</b>													
Est Annual Cost (\$ mil)	\$188.1	\$47.3	\$3.6	\$5.9	\$244.9	\$34.8	\$15.0	\$2.0	\$68.6	\$124.5			



# Appendix B

## Assumptions & Methods

### Total Rate Projection Methodology:

The H-Scan model methodology includes several options when projecting rates. First, choose a period for the per member per month (PMPM) experience period. These claims are trended to the projection period, which is the year starting 10/1/2010 for PSE Actives or the year starting 1/1/2011 for PSE Retirees, using the trend factors below (or those input by the user of H-scan). Next, decide which groups to combine for rating. This includes the options of whether or not to blend ASE and PSE, Actives and Non-Medicare Eligible (NME) Retirees, and NovaSys and NovaSys HD. Once the rating groups are set, decide on the appropriate tiering factors, primarily deciding whether or not to use the current tiering factors. The resulting rates will reflect the decisions displayed in the Rating Options. For expenses, we relied on actual negotiated vendor fees plus estimated EBD expenses.

### Total Rate Projection Assumptions:

#### Population Projection:

Same as Enrollment on 12/31/2009

#### Investment return\*:

0%

#### Annual Trend\*:

	Health Advantage	NovaSys	HD PPO	ARHealth Retirees	Behavioral Health	Pharmacy	Life	Expenses
non-Medicare:	7.00%	7.00%	7.00%	Use either Medicare or Non-Medicare Factors	0.00%	9.00%	0.00%	0.00%
Medicare:	8.00%	6.00%	6.00%		0.00%	9.00%	0.00%	0.00%

\* Unless otherwise shown in the screen capture.

#### Historical Benefit Adjustment Factors applied to the PMPM cost for 2011 benefits. These factors were developed by the prior actuary.

ASE non-Medicare 2008:	0.9780	0.9780	0.9193	Use either Medicare or Non-Medicare Factors	1.000	1.000	1.000
PSE non-Medicare 2008:	0.9776	0.9776	0.9168		1.000	1.000	1.000
ASE/PSE non-Medicare 2009:	1.0105	1.0105	1.0105		1.000	1.000	1.000
ASE / PSE Medicare 2008:	1.0650	N/A	N/A	Use either Medicare or Non-Medicare Factors	1.000	1.000	1.000
ASE / PSE Medicare 2009:	1.0650	N/A	N/A		1.000	1.000	1.000

#### Benefit Ratio:

	Health Advantage or NovaSys	HA or NovaSys Pharmacy	HD PPO	HD PPO Pharmacy	Medicare *	Medicare Pharmacy *
PSE	0.8310	0.6900	0.6870	0.5200		

\* reflects Medicare Parts A, B, D.

#### Expenses:

Per Subscriber Per Month	Actives Health Advantage	Actives NovaSys	Retirees Non-Medicare	Retirees Medicare	Actives & Retirees EBD*
PSE Actual 2009	\$26.09	\$13.92	\$20.14	\$14.96	\$8.97
PSE Actual 2010	\$27.13	\$13.90	\$20.74	\$15.41	\$6.21
PSE Trended 2011	\$27.13	\$13.90	\$20.74	\$15.41	\$6.21

\* Assumed to include UAM expenses (both Rx and Medical), EAP, weight management, smoking cessation, and Integral cost.

#### Rx Rebates:

The assumed Rx Rebates for PSE are 0%. The actual Rx Rebates based on the 2009 plan year are 2%.

#### Part D Subsidy:

PSE - N/A

#### Seasonality:

We have not used seasonality factors, instead we are requiring that the base and projected period be for an annual period.



# Appendix B

## Assumptions & Methods (continued)

### Used for Incurred Claims Development:

**Method:** We calculated the Paid-to-Date claims by using individual claims and eligibility databases. To determinate the relationship and family tiers, we link each claim to the eligibility database. Also, we use the Plan ID in the eligibility data to determine whether a member should be considered as part of the Active, Non-Medicare Retiree or Medicare Retiree Plan. Finally, we applied the below completion factors to the Paid-to-Date claims to calculate the Incurred claims.

### Paid-to-Date Claims:

#### Health Advantage:

Service dates from January 1, 2008 to November 30, 2009 and process dates from January 1, 2008 to November 30, 2009, assuming November 2009 and December 2009 have the same paid-to-date claim as October 2009.

#### NovaSys and Pharmacy:

Service dates from January 1, 2008 to December 31, 2009 and process dates from January 1, 2008 to December 31, 2009.

### Completion Factors:

For Health Advantage, we used the data from lag reports with service dates from January 1, 2008 to December 31, 2009 and process dates from January 1, 2008 to December 31, 2009 to develop the completion factors.

For NovaSys and Pharmacy, we used the individual claims database with service dates from January 1, 2008 to December 31, 2009 and process dates from January 1, 2008 to December 31, 2009 to develop the completion factors.

PSE		<u>Health Advantage</u>	<u>NovaSys</u>	<u>HD PPO</u>	<u>Pharmacy</u>	<u>ARHealth Non-Medicare Retirees</u>	<u>Pharmacy non-Medicare Retirees</u>	<u>ARHealth Medicare Retirees</u>	<u>Pharmacy Medicare Retirees</u>
	January-09	0.989	0.999	0.998	1.000	0.989	1.000	0.983	Not Applicable
	February-09	0.987	0.998	0.998	1.000	0.987	1.000	0.982	Not Applicable
	March-09	0.987	0.998	0.994	1.000	0.987	1.000	0.981	Not Applicable
	April-09	0.986	0.986	0.993	1.000	0.986	1.000	0.977	Not Applicable
	May-09	0.979	0.981	0.991	1.000	0.979	1.000	0.973	Not Applicable
	June-09	0.978	0.974	0.991	1.000	0.978	1.000	0.967	Not Applicable
	July-09	0.968	0.967	0.965	1.000	0.968	1.000	0.961	Not Applicable
	August-09	0.966	0.966	0.944	1.000	0.966	1.000	0.961	Not Applicable
	September-09	0.932	0.936	0.930	1.000	0.932	1.000	0.924	Not Applicable
	October-09	0.866	0.898	0.878	1.000	0.866	1.000	0.876	Not Applicable
	November-09	0.717	0.749	0.726	1.000	0.717	1.000	0.700	Not Applicable
	December-09	0.239	0.226	0.160	1.000	0.239	1.000	0.060	Not Applicable

Note that Life and Behavioral health are insured. Therefore, no completion factors are needed. Actual premium was used and trended.

### Allocation of Rate Methodology:

Once the total rates are developed, we split the contributions to cover the rates first by removing the costs that have already been legislated to be covered from reserves. We then allow the user to select the methodology for allocating the remainder of the rates. The total actual cost may be somewhat impacted by the desired allocation as participant selection of Plan option and coverage could be impacted.

### Rate Allocation Assumptions:

#### Previously adopted reserves allocations:

	<u>Actives (10/1 - 9/30)</u>	<u>Retirees (1/1-12/31)</u>
PSE 2010:	\$2.00	\$2.20
PSE 2011:	\$1.20	\$1.32
PSE 2012:	\$0.80	\$0.88

#### PSE \*

##### Legislature:

Act 1842

Act 1421

##### Interest Income:

##### Active Employee Subsidy:

\* Unless otherwise shown in the screen capture.

<u>Amount in \$ Millions</u>	
\$50	\$50
\$35	\$35
\$15	\$15
\$0	\$0
\$4	\$4