

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
April 9, 2010**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Friday, April 9, 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
Lloyd Black
Becky Walker

Members Absent

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

Others Present:

Dr. Richard Herd, DDS; George Platt, Leigh Ann Chrouch, Doug Shackelford; Lori Eden, Florence Marvin, Donna Cook, Sherry Bryant, Paige Harrington, Kathy Johnson, Ellen Justus, Cathy Harris, EBD; Sherry Saxby, Rhonda Hill, AR Centers for Health Improvement & EBD; Barbara Melugin, , David Bridges, Kathy Ryan, AR BC/BS Health Advantage; Ronda Walthall Wayne Whitley, AR Highway & Transportation Dept; Sharon Marcum, LifeSynch; Shonda Roche, Kim Henderson, AR Development Finance Authority; Bryan Meldrum, Dwane Tankersley, NovaSys; Mona Neal, Public Service Commission; John Bobbins, DataPath; Diann Shoptaw, EBI; Robbie Weaver, AR Children Hospital; Christi Pittman, Delta Dental; Steve Singleton, AR Retired Teachers Association; Pamela Hickman, Karen Henson, AR Game & Fish Commission; 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 March 5, 2010 minutes. Harrison made the motion to approve. McCook seconded. All were in favor. Minutes Approved.

TEMPOROMANDIBULAR JOINT (TMJ) / Dysfunction *by Delta Dental*

Dr. Richard Herd, DDS provided a brief overview about TMJ. Herd explained TMJ disorders causes tenderness and pain in the temporomandibular joint (TMJ) on each side of the head in front of the ears, where the lower jawbone meets your skull. This joint allows you to talk, chew and yawn.

Herd said he is now retired but during his years of practice he has treated several patients with the condition. Herd said he recently attended a seminar about the condition but there are still no new findings or a standard guideline to follow on how to treat TMJ.

Herd said the condition is very complex and treatment is across the board. In most cases, pain and discomfort associated with TMJ disorders can be alleviated with self-managed care or nonsurgical treatments, but more-severe cases may need to be treated with dental or surgical interventions.

Herd explained there is not an American Dental Association (ADA) specialty for TMJ or any certification required for treating the condition, but there are a lot of courses available for dentists to learn techniques on how to make appliances for the condition. Herd said there are three major organizations that treat the condition, and additional information can be found on the American Academy of Craniofacial Pain website. Herd informed the committee there are dentists in Little Rock, Jonesboro and Fort Smith that might met the plan's criteria.

Herd informed the committee that TMJ does not go away and stress can aggravate the condition, causing it to generally come back in some degree. Herd said the goal is to reduce the pain in order to increase the patient's quality of life.

Dr. Herd explained treatment is divided into two stages:

1. Phase I Diagnostic Phase - Temporary Solution
 - a) Diagnostic Splints

2. Phase II Treatment Phase - Permanent Solution
 - a) Orthodontics
 - b) Crown & Bridge
 - c) Prosthetics
 - Full Dentures
 - Partial Dentures
 - d) Composite buildups posterior teeth

The costs for Phase I treatment is about \$3,500, with an additional \$700 to \$800 for an MRI. Phase II treatment costs about \$5,000. The costs for crowns range anywhere from \$8,000 to \$10,000; depending on the number of crowns needed. An overlay partial is \$3,000 and one total joint replacement is about \$50,000.

Herd explained how the costs are spread out. The first initial costs for phase I treatment is accrued during the first 12 months of treatment and the costs for phase II is accrued in the second year of treatment.

Dr Herd said teams of professionals are brought in on the treatment on an as-needed basis: Physical Therapist, Neurologist, Pain Management, Rheumatologist, Bio-feedback Specialist, Chiropractor and Massage Therapist.

Dr. Herd answered questions from the committee.

McCook said over the years he has been contacted by people who have this condition and most have reached their benefit limit before the diagnosis phase. McCook said he believes the condition needs to be case managed. McCook suggested a flowchart be created with all of the steps involved in TMJ treatment.

Dr. Herd said he agrees that someone needs to be in charge to make sure patients are getting what they need. Herd said people have spent a lot of money and not received any treatment. Herd said the key is to have all of the components working simultaneously to get results.

Lee explained that in 2007 the Board decided to remove the cap for TMJ and move it into Case Management. Lee said as a result they found that TMJ did not fit very well with Case Management because they simply don't have the expertise to manage the benefit; and so, in 2009 the Board agreed to cover it as a limited benefit: \$1,000 per member per plan year with optional service coordination.

More conversation ensued.

Dr Herd suggested the plan consider covering the benefit by allowing four or five thousand dollars for the first two years and then drop the benefit amount down to \$500 dollars. Herd said that would cover a majority of the expenses.

McCook thanked Dr Herd for his time. McCook said Herd's comments were very valuable.

McCook made the motion to refer the issue to the Benefits Strategic Planning Workgroup (BSPW) for further study. Wiggins seconded. All were in favor. Motion carried.

Chairman Altemus asked Dr. Herd if he will continue to assist them with TMJ. Dr. Herd said he will be happy to assist with putting together a flowchart to serve as a guide for the plan.

OTC PREVACID by Jason Lee, EBD Director

Lee explained the plan currently covers over-the-counter brand Prilosec with a \$5.00 co-payment to the member if they have a prescription from their physician, and the plan pays a \$13.00 dispensing fee to the pharmacy.

Lee presented the committee with letter he received from Pharmacy consultant, Sherry Bryant. In it, Bryant recommends the plan update its "OTC Drug Coverage Program" and adopt a coverage policy for the possible addition of new drugs at a later time.

Recommended policy: To allow certain OTC medications to be covered if the drug class and prescription strength equivalent is a covered benefit. These OTC products will be covered with a \$5.00 co-payment to the member, with a prescription from their doctor, and a \$6.50 dispensing fee to the pharmacy.

The dispensing fee is based on the maximum amount a pharmacy might receive if they were to dispense a non-OTC medication, based on the current generic drug incentive program

Medications to be included at this time are as follows:

- Continue coverage of brand, OTC Prilosec
- Add coverage of generic, OTC omeprazole
- Add coverage of brand, OTC Prevacid

This policy will allow the addition of new OTC products to be added as they become available.

Harrison made the motion to allow certain OTC medications to be covered if the drug class and prescription strength equivalent is a covered benefit. These OTC products will be covered with a \$5.00 co-payment to the member, with a prescription from their doctor, and a \$6.50 dispensing fee to the pharmacy. The current \$13.00 dispensing fee to the pharmacy will be left in place until the next plan year. McCook seconded. All were in favor. Motion carried.

PSE 2011 PRELIMINARY RATES *by John Colberg*

Colberg presented the preliminary PSE Active Rates for 2010-2011 with updated data since the last meeting.

- Updated experience with two additional months of run-out claims
- Completed gain/loss analysis
- Developed alternative rating methodology
- Reviewed trend assumptions with Health Advantage, NovaSys and InformedRx.

The committee reviewed illustrations for blending the Active members and Non-Medicare members into a single rating pool and allowing full credibility to Novasys/HDPPO.

A discussion ensued about the HDPPO plan.

Chairman Altemus commented he did not think they can establish a health insurance premium below \$50 dollars a month and keep any credibility to the program. Altemus said he is afraid this will create a program that everybody floods to and a lot of people don't have the means to have their healthcare needs met because they don't have the additional money to go with it. Altemus said members are assuming a lot of risk when they enroll in the HDPPO Plan.

McCook said they should move toward allowing more credibility to the HDPPO plan because members are taking a risk. McCook said they will be a lot better off if they can make the plan more affordable so more people will enrolled in the plan. McCook reference the upcoming Legislative Session.

Walker said the good thing about the HDPPO Plan is that it offers preventative care; unlike the HDPPO plans in the past. Walker said the HDPPO Plan has been made to seem like enrolling in the plan is not a good idea because there was not a big difference in the premiums for HDPPO plan vs. the regular plans. Walker said the plan would be good for young teachers and healthier members,

Lee said they have had discussions in the past about "mandatory contribution" in the Health Savings Account (HSA) for members enrolled the HDPPO Plan.

Walker suggested perhaps they can put the money in an HSA account as contribution from the school plan for medical expenses for the member if by giving credibility to the HDPPO would result in the plan giving the Employee only group \$40.37 credit.

McCook said he like the idea and then explained the legal challenges the plan would encounter. McCook said they could however, split the money between the employee only, employee & spouse, employee and family plans.

Chairman Altemus opened the discussion to the audience. David Bridges w/Health Advantage and Bryan Meldrum w/NovaSys addressed the committee.

No action was taken by the committee.

Lee said they will bring back more examples at the next meeting.

HEALTHCARE REFORM DISCUSSION *by Jason Lee*

Lee reported the many changes indicated in the health-care reform that health plans are required to implement, are changes the AR Health plan has had in their plan design for a number of years.

Lee said because of their existing health plan status they will have exclusion under a grandfather health plan status. Lee said there are many provisions that go into effect immediately, and some in the next years, they will not be required to implement. Lee gave some examples.

Lee said changes to the health plan and the operational side should be manageable while changes to meet the affordability will be a struggle.

Meeting adjourned.

AGENDA

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

1. **Call to Order** *Jeff Altemus, Chairman*
2. **Approval of Minutes** *Jeff Altemus, Chairman*
3. **TMJ Discussion** *Delta Dental*
4. **OTC Prevacid**..... *Jason Lee, EBD Director*
5. **PSE 2011 Preliminary Rates** *John Colberg, CHEIRON*
6. **Health Care Reform Discussion** *Jason Lee, EBD Director*

**Next Meeting
May 7th**



STATE OF ARKANSAS
**Department of Finance
and Administration**

EMPLOYEE BENEFITS DIVISION

501 Woodlane, Suite 500
Little Rock, AR 72201-1011
Post Office Box 15610
Little Rock, AR 72231-5610
Phone: (501) 682-9656
Toll Free: (877) 815-1017
<http://www.arkansas.gov/dfa/ebd>

MEMO

To: Jason Lee, Executive Director

From: Sherry Bryant
Pharmacy Coordinator

Subject: OTC Drug Coverage Policy

I would like to make a recommendation that the plan update its "OTC Drug Coverage Program" and adopt a coverage policy for the possible addition of new drugs at a later time. The plan currently covers over-the-counter brand Prilosec with a \$5.00 co-payment to the member if they have a prescription from their physician, and the plan pays a \$13.00 dispensing fee to the pharmacy.

Recommended policy: To allow certain OTC medications to be covered if the drug class and prescription strength equivalent is a covered benefit. These OTC products will be covered with a \$5.00 co-payment to the member, with a prescription from their doctor, and a \$6.50 dispensing fee to the pharmacy.

This dispensing fee is based on the maximum amount a pharmacy might receive if they were to dispense a non-OTC medication, based on the current generic drug incentive program.

Medications to be included at this time are as follows:

Continue coverage of brand, OTC Prilosec
Add coverage of generic, OTC omeprazole
Add coverage of brand, OTC Prevacid

This policy will allow the addition of new OTC products to be added as they become available.

Arkansas Public School Employees Health Benefits Program

Preliminary PSE Active Rates for 2010-2011 April Update

John Colberg, FSA
Karen Mallett, FSA

April 9, 2010





Topics

	Page Number
1) Since Last Meeting	2
2) Option 1 - Baseline Projections	3
3) Option 2 - Full Credibility to HDPPO	7
4) Option 3 - Blending non-Medicare Retirees	10
5) Option 3A – Opt 3 with no Retiree Subsidy	14
6) Comparison Sheet	18
Appendices	
A. 2009-2010 Final Rate Details	19
B. Assumptions & Methods	20
C. Gain / (Loss) Analysis	23



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Since Last Meeting

- Updated Experience with Two Additional Months of Run-Out Claims
- Completed Gain / Loss Analysis
- Developed Alternative Rating Methodology
- Reviewed Trend Assumptions with Health Advantage, NovaSys and InformedRx



Option 1 - Baseline

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Rating Options

CLAIMS & EXPENSES		RATING FACTORS		INCURRED EXPERIENCE PERIOD																																															
Blend ASE & PSE		Use Prior Rating Method		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="background-color: #ffffcc;">ASE</th> <th style="background-color: #ffffcc;">PSE</th> <th style="background-color: #ffffcc;">Rx</th> </tr> </thead> <tbody> <tr> <td>Start:</td> <td style="background-color: #ffffcc;">Jan-09</td> <td style="background-color: #ffffcc;">Jan-09</td> <td style="background-color: #ffffcc;">Feb-09</td> </tr> <tr> <td>End:</td> <td style="background-color: #ffffcc;">Dec-09</td> <td style="background-color: #ffffcc;">Dec-09</td> <td style="background-color: #ffffcc;">Jan-10</td> </tr> </tbody> </table>				ASE	PSE	Rx	Start:	Jan-09	Jan-09	Feb-09	End:	Dec-09	Dec-09	Jan-10																																	
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Medicare Retirees	Yes	1 = By Tier; 2 = By Member Status; 3 = Prior																																																	
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ASE	No																																																		
PSE	No																																																		
Blend Novasys & HD PPO	Yes	When blending, use separate factors for:		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="background-color: #ffffcc;">Assumptions</th> </tr> <tr> <th></th> <th style="background-color: #ffffcc;">2010</th> <th style="background-color: #ffffcc;">2011</th> <th style="background-color: #ffffcc;">2012</th> <th style="background-color: #ffffcc;">2013</th> </tr> </thead> <tbody> <tr> <td>Inv Inc.</td> <td style="background-color: #ffffcc;">0.0%</td> <td style="background-color: #ffffcc;">0.0%</td> <td style="background-color: #ffffcc;">0.0%</td> <td style="background-color: #ffffcc;">0.0%</td> </tr> <tr> <td>Salary</td> <td style="background-color: #ffffcc;">0.0%</td> <td style="background-color: #ffffcc;">0.0%</td> <td style="background-color: #ffffcc;">0.0%</td> <td style="background-color: #ffffcc;">0.0%</td> </tr> <tr> <td colspan="5" style="background-color: #ffffcc;"><i>Trends:</i></td> </tr> <tr> <td>Medical</td> <td style="background-color: #ffffcc;">5.0%</td> <td style="background-color: #ffffcc;">5.0%</td> <td style="background-color: #ffffcc;">5.0%</td> <td style="background-color: #ffffcc;">5.0%</td> </tr> <tr> <td>Medicare</td> <td style="background-color: #ffffcc;">5.0%</td> <td style="background-color: #ffffcc;">5.0%</td> <td style="background-color: #ffffcc;">5.0%</td> <td style="background-color: #ffffcc;">5.0%</td> </tr> <tr> <td>Rx</td> <td style="background-color: #ffffcc;">8.5%</td> <td style="background-color: #ffffcc;">8.5%</td> <td style="background-color: #ffffcc;">8.5%</td> <td style="background-color: #ffffcc;">8.5%</td> </tr> <tr> <td>Other</td> <td style="background-color: #ffffcc;">0.0%</td> <td style="background-color: #ffffcc;">0.0%</td> <td style="background-color: #ffffcc;">0.0%</td> <td style="background-color: #ffffcc;">0.0%</td> </tr> </tbody> </table>			Assumptions						2010	2011	2012	2013	Inv Inc.	0.0%	0.0%	0.0%	0.0%	Salary	0.0%	0.0%	0.0%	0.0%	<i>Trends:</i>					Medical	5.0%	5.0%	5.0%	5.0%	Medicare	5.0%	5.0%	5.0%	5.0%	Rx	8.5%	8.5%	8.5%	8.5%	Other	0.0%	0.0%	0.0%	0.0%
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RESULTS BELOW

To ASE Active Rates

RATES	2011	Actives			Total Rate	
	PSE					
CURRENT	Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A
Health Adv	\$ 371.43	\$ 1,008.45	\$ 656.57	\$ 1,015.95	N/A	N/A
Novasys	392.07	1,066.05	693.73	1,073.75	N/A	N/A
HD PPO	266.93	716.93	468.50	723.39	N/A	N/A
REVISED						
Health Adv	390.98	1,057.74	689.41	1,065.40	N/A	N/A
Novasys	416.86	1,129.21	735.66	1,137.12	N/A	N/A
HD PPO	280.55	748.31	490.06	754.87	N/A	N/A
CHANGE						
Health Adv	19.55	49.29	32.84	49.45	N/A	N/A
Novasys	24.79	63.16	41.93	63.37	N/A	N/A
HD PPO	13.62	31.38	21.56	31.48	N/A	N/A

Financial Forecast:

	2010	2011	2012	2013
Plan Year Ending	2010	2011	2012	2013
<u>Avg # Enrolled</u>	72,037	72,037	72,037	72,037
Income (in millions):				
- State / District	\$120.2	\$120.5	\$120.5	\$120.5
- Active Contrib.	130.6	139.6	153.5	168.6
- Retiree Contrib.	14.3	21.8	24.5	27.7
- Other Income	1.5	1.0	1.1	1.2
Total Income	\$266.5	\$282.9	\$299.7	\$318.0
Total Clms.&Exp.	(\$258.2)	(\$277.5)	(\$292.2)	(\$307.8)
Cash Gain/(Loss)	\$8.3	\$5.4	\$7.4	\$10.2
Assets at EOY	\$77.2	\$82.6	\$90.0	\$100.3
Net Assets	\$51.0	\$55.2	\$61.4	\$70.3

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



Option 1 - Baseline

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PSE ACTIVE RATE DEVELOPMENT for FY2011

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Health Advantage			Novasys (ARHealth)			Novasys (HD PPO)		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	1/09 - 12/09	2/09 - 1/10		1/09 - 12/09	2/09 - 1/10		1/09 - 12/09	2/09 - 1/10	
	1/09 - 2/10	2/09 - 2/10		1/09 - 2/10	2/09 - 2/10		1/09 - 2/10	2/09 - 2/10	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$136,475,915	\$40,473,636	\$176,949,550	\$21,624,451	\$5,003,199	\$26,627,650	\$4,067,949	\$368,208	\$4,436,158
2 Less High Cost Claims Above (Med/Rx) \$100,000 \$20,000	\$4,531,220	\$1,922,581	\$6,453,801	\$2,420,787	\$264,908	\$2,685,694	\$342,918	\$27,555	\$370,473
3 Net Incurred Claims below Pooling Point [1 - 2]	\$131,944,695	\$38,551,055	\$170,495,749	\$19,203,664	\$4,738,291	\$23,941,956	\$3,725,031	\$340,654	\$4,065,685
4 Person Months for Experience Period	630,669	632,577	631,100	79,994	78,187	79,636	39,744	40,613	39,817
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$209.21	\$60.94	\$270.15	\$240.06	\$60.60	\$300.66	\$93.73	\$8.39	\$102.12
6 Change in Benefits During Experience Period	1.0079	1.0000		1.0082	1.0000		1.0086	1.0000	
7 Change in Demographic or Risk During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
8 Change in Geographic During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
9 a) Annual Trend Rate	5.0%	8.5%		5.0%	8.5%		5.0%	8.5%	
b) Months to Trend	21	20		21	20		21	20	
c) Trend Adjustment	1.0890	1.1452		1.0891	1.1456		1.0891	1.1456	
10 Adjusted Claims Charged PPPM [6 x 7 x 8 x 9c]	\$229.62	\$69.79	\$299.40	\$263.59	\$69.43	\$333.02	\$102.96	\$9.61	\$112.57
11 Charge for Claims above Pooling Point PPPM	\$7.82	\$3.48	\$11.30	\$32.96	\$3.88	\$36.84	\$9.40	\$0.78	\$10.17
12 Total Claims Charged PPPM [9 + 10]	\$237.44	\$73.27	\$310.71	\$296.55	\$73.31	\$369.86	\$112.36	\$10.39	\$122.75
13 Change in Future Benefits (Level / Management / Discounts)	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
14 Change in Future Demog (Age/Gender/Family Status) or Risk	0.9971	0.9948		1.0190	1.0359		0.9770	0.9762	
15 Change in Future Geographic	0.9990	0.9990		1.0018	1.0018		1.0003	1.0003	
16 Proj. Experience Incurred Claim PPPM [12 x 13 x 14 x 15]	\$236.51	\$72.81	\$309.32	\$302.72	\$76.08	\$378.80	\$109.81	\$10.15	\$119.96
17 Projected Blended Incurred Claim PPPM	not calculated	\$70.24	not calculated	\$237.64	\$70.24	\$307.88	\$196.43	\$52.57	\$249.00
18 Percent to Use Blended Experience	0%	100%	0%	60%	100%		60%	100%	
19 Rating Incurred Claim PPPM [16 x 17 x 18]	\$236.51	\$70.24	\$306.75	\$263.67	\$70.24	\$333.91	\$161.78	\$52.57	\$214.35
20 Projected Persons Months	653,136	653,136	653,136	64,488	64,488	64,488	48,456	48,456	48,456
21 Projected Total Incurred Claims [19 x 20]	\$154,470,481	\$45,877,448	\$200,347,929	\$17,003,545	\$4,529,753	\$21,533,298	\$7,839,218	\$2,547,364	\$10,386,582
22 Conversion to Rating Tiers [19 x rating tier x counts]	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Fee Months</u>	<u>PEPM</u>	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Fee Months</u>	<u>PEPM</u>	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Fee Months</u>	<u>PEPM</u>
a) Employee Only	1.10	360,504	\$335.90	1.12	35,544	\$375.01	1.11	22,260	\$238.70
b) Employee & Spouse	3.26	18,684	\$999.62	3.25	1,392	\$1,084.32	3.28	1,848	\$703.42
c) Employee & Child(ren)	2.06	61,608	\$632.51	2.07	6,240	\$691.99	2.08	2,892	\$446.39
d) Family	3.27	21,540	\$1,003.28	3.26	2,184	\$1,088.23	3.29	3,516	\$705.98
23 Rates Balance Confirmation		462,336	\$200,347,929		45,360	\$21,533,298		30,516	\$10,386,582

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



Option 1 - Baseline

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Participant Contributions



ALLOCATED RESERVES (in \$millions)				
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 - PEPM	\$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

RESULTS BELOW

RATES	2011	Actives			Participant Contrib.	
	PSE					
BASELINE	Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A
Health Adv	\$ 152.69	\$ 721.45	\$ 406.05	\$ 723.40	N/A	N/A
Novasys	173.33	779.05	443.21	781.20	N/A	N/A
HD PPO	48.19	429.93	217.98	430.84	N/A	N/A
REVISED						
Health Adv	175.18	775.98	442.90	778.27	N/A	N/A
Novasys	201.06	847.45	489.15	849.99	N/A	N/A
HD PPO	64.75	466.55	243.55	467.74	N/A	N/A
CHANGE						
Health Adv	22.49	54.53	36.85	54.87	N/A	N/A
Novasys	27.73	68.40	45.94	68.79	N/A	N/A
HD PPO	16.56	36.62	25.57	36.90	N/A	N/A

Financial Forecast:			
	PSE		
Plan Year Ending	2010	2011	2012
Avg # Enrolled	72,037	72,037	72,037
Income (in millions):			
- State / District	\$120.2	\$120.5	\$120.5
- Active Contrib.	130.6	139.6	153.5
- Retiree Contrib.	14.3	21.8	24.5
- Other Income	1.5	1.0	1.1
Total Income	\$266.5	\$282.9	\$299.7
Total Clms.&Exp.	(\$258.2)	(\$277.5)	(\$292.2)
Cash Gain/(Loss)	\$8.3	\$5.4	\$7.4
Assets at EOY	\$77.2	\$82.6	\$90.0
Net Assets	\$51.0	\$55.2	\$61.4

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



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Option 1 – Baseline

Actives	Medical and Pharmacy Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)	Most Recent Enrollment	
Health Advantage													
Employee Only	\$335.90	\$37.84	\$6.04	\$11.20	\$390.98	\$57.97	\$24.84	\$1.99	\$131.00	\$175.18	\$152.69	\$22.49 15%	30,042
Employee & Spouse	999.62	37.84	9.08	11.20	1,057.74	103.06	44.17	3.53	131.00	775.98	721.45	54.53 8%	1,557
Employee & Child(ren)	632.51	37.84	7.86	11.20	689.41	78.96	33.84	2.71	131.00	442.90	406.05	36.85 9%	5,134
Family	1,003.28	37.84	13.08	11.20	1,065.40	106.73	45.75	3.66	131.00	778.27	723.40	54.87 8%	1,795
Est. Monthly Cost (\$mil)	\$16.7	\$1.5	\$0.3	\$0.4	\$18.8	\$2.5	\$1.1	\$0.1	\$5.0	\$10.1			38,528
Novasys													
Employee Only	\$375.01	\$24.61	\$6.04	\$11.20	\$416.86	\$57.97	\$24.84	\$1.99	\$131.00	\$201.06	\$173.33	\$27.73 16%	2,962
Employee & Spouse	1,084.32	24.61	9.08	11.20	1,129.21	103.06	44.17	3.53	131.00	847.45	\$779.05	68.40 9%	116
Employee & Child(ren)	691.99	24.61	7.86	11.20	735.66	78.96	33.84	2.71	131.00	489.15	\$443.21	45.94 10%	520
Family	1,088.23	24.61	13.08	11.20	1,137.12	106.73	45.75	3.66	131.00	849.99	\$781.20	68.79 9%	182
Est. Monthly Cost (\$mil)	\$1.8	\$0.1	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1			3,780
Novasys HD PPO													
Employee Only	\$238.70	\$24.61	\$6.04	\$11.20	\$280.55	\$57.97	\$24.84	\$1.99	\$131.00	\$64.75	\$48.19	\$16.56 34%	1,855
Employee & Spouse	703.42	24.61	9.08	11.20	748.31	103.06	44.17	3.53	131.00	466.55	429.93	36.62 9%	154
Employee & Child(ren)	446.39	24.61	7.86	11.20	490.06	78.96	33.84	2.71	131.00	243.55	217.98	25.57 12%	241
Family	705.98	24.61	13.08	11.20	754.87	106.73	45.75	3.66	131.00	467.74	430.84	36.90 9%	293
Est. Monthly Cost (\$mil)	\$0.9	\$0.1	\$0.0	\$0.0	\$1.0	\$0.2	\$0.1	\$0.0	\$0.3	\$0.4			2,543
Total (Monthly) (\$ mil)	\$19.4	\$1.6	\$0.3	\$0.5	\$21.8	\$2.9	\$1.3	\$0.1	\$5.9	\$11.6			44,851
Est Annual Cost (\$ mil)	\$232.3	\$19.4	\$3.6	\$6.0	\$261.3	\$35.0	\$15.0	\$1.2	\$70.5	\$139.6			

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



Option 2 – Full Credibility to Novasys/HDPPPO

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Rating Options

CLAIMS & EXPENSES		RATING FACTORS		INCURRED EXPERIENCE PERIOD																																										
Blend ASE & PSE		Use Prior Rating Method		<table border="1" style="width: 100%; text-align: center;"> <tr> <td></td> <td>ASE</td> <td>PSE</td> <td>Rx</td> </tr> <tr> <td>Start:</td> <td>Jan-09</td> <td>Jan-09</td> <td>Feb-09</td> </tr> <tr> <td>End:</td> <td>Dec-09</td> <td>Dec-09</td> <td>Jan-10</td> </tr> </table>				ASE	PSE	Rx	Start:	Jan-09	Jan-09	Feb-09	End:	Dec-09	Dec-09	Jan-10																												
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Non-Med. Retirees	Yes	If no, tier factor approach:																																												
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ASE	No																																													
PSE	No																																													
Blend Novasys & HDPPPO	No	When blending, use separate factors for:		Assumptions																																										
If yes, % to Blend (ASE)	0%	Combine ASE and PSE		<table border="1" style="width: 100%; text-align: center;"> <tr> <td></td> <td>2010</td> <td>2011</td> <td>2012</td> <td>2013</td> </tr> <tr> <td>Inv Inc.</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> </tr> <tr> <td>Salary</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> </tr> <tr> <td colspan="5"><i>Trends:</i></td> </tr> <tr> <td>Medical</td> <td>5.0%</td> <td>5.0%</td> <td>5.0%</td> <td>5.0%</td> </tr> <tr> <td>Medicare</td> <td>5.0%</td> <td>5.0%</td> <td>5.0%</td> <td>5.0%</td> </tr> <tr> <td>Rx</td> <td>8.5%</td> <td>8.5%</td> <td>8.5%</td> <td>8.5%</td> </tr> <tr> <td>Other</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> </tr> </table>				2010	2011	2012	2013	Inv Inc.	0.0%	0.0%	0.0%	0.0%	Salary	0.0%	0.0%	0.0%	0.0%	<i>Trends:</i>					Medical	5.0%	5.0%	5.0%	5.0%	Medicare	5.0%	5.0%	5.0%	5.0%	Rx	8.5%	8.5%	8.5%	8.5%	Other	0.0%	0.0%	0.0%	0.0%
	2010	2011	2012	2013																																										
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Rx	8.5%	8.5%	8.5%	8.5%																																										
Other	0.0%	0.0%	0.0%	0.0%																																										
If yes, % to Blend (PSE)	0%	Benefit Factor Differences																																												
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		Basis for Demog. Factors:																																												
		1 = Age/Gender; 2 = Risk Scores																																												

RESULTS BELOW

To ASE Active Rates

RATES	2011	Actives		Total Rate		
	PSE					
CURRENT	Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A
Health Adv	\$ 371.43	\$ 1,008.45	\$ 656.57	\$ 1,015.95	N/A	N/A
Novasys	392.07	1,066.05	693.73	1,073.75	N/A	N/A
HD PPO	266.93	716.93	468.50	723.39	N/A	N/A
REVISED						
Health Adv	393.79	1,066.11	694.71	1,073.81	N/A	N/A
Novasys	467.27	1,274.96	828.68	1,283.40	N/A	N/A
HD PPO	175.43	438.54	293.48	443.98	N/A	N/A
CHANGE						
Health Adv	22.36	57.66	38.14	57.86	N/A	N/A
Novasys	75.20	208.91	134.95	209.65	N/A	N/A
HD PPO	(91.50)	(278.39)	(175.02)	(279.41)	N/A	N/A

Financial Forecast: PSE

Plan Year Ending	2010	2011	2012	2013
<u>Avg # Enrolled</u>	72,037	72,037	72,037	72,037
Income (in millions):				
- State / District	\$120.2	\$120.5	\$120.5	\$120.5
- Active Contrib.	130.6	139.6	153.5	168.6
- Retiree Contrib.	14.3	21.8	24.5	27.7
- Other Income	1.5	1.0	1.1	1.2
Total Income	\$266.5	\$282.9	\$299.7	\$318.0
Total Clms.&Exp.	(\$258.2)	(\$277.5)	(\$292.2)	(\$307.8)
Cash Gain/(Loss)	\$8.3	\$5.4	\$7.4	\$10.2
Assets at EOY	\$77.2	\$82.6	\$90.0	\$100.2
Net Assets	\$51.0	\$55.2	\$61.4	\$70.3

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





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Option 2 – Full Credibility to Novasys/HDPPPO



Participant Contributions



ALLOCATED RESERVES (in \$millions)				
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 - PEPM	\$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

RESULTS BELOW

RATES	2011	Actives			Participant Contrib.		Financial Forecast:			
		PSE					PSE	2010	2011	2012
BASELINE	Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A	Plan Year Ending			
Health Adv	\$ 152.69	\$ 721.45	\$ 406.05	\$ 723.40	N/A	N/A	Avg # Enrolled	72,037	72,037	72,037
Novasys	173.33	779.05	443.21	781.20	N/A	N/A	Income (in millions):			
HD PPO	48.19	429.93	217.98	430.84	N/A	N/A	- State / District	\$120.2	\$120.5	\$120.5
REVISED							- Active Contrib.	130.6	139.6	153.5
Health Adv	177.99	784.35	448.20	786.68	N/A	N/A	- Retiree Contrib.	14.3	21.8	24.5
Novasys	251.47	993.20	582.17	996.27	N/A	N/A	- Other Income	1.5	1.0	1.1
HD PPO	(40.37)	156.78	46.97	156.85	N/A	N/A	Total Income	\$266.5	\$282.9	\$299.7
CHANGE							Total Clms.&Exp.	(\$258.2)	(\$277.5)	(\$292.2)
Health Adv	25.30	62.90	42.15	63.28	N/A	N/A	Cash Gain/(Loss)	\$8.3	\$5.4	\$7.4
Novasys	78.14	214.15	138.96	215.07	N/A	N/A	Assets at EOY	\$77.2	\$82.6	\$90.0
HD PPO	(88.56)	(273.15)	(171.01)	(273.99)	N/A	N/A	Net Assets	\$51.0	\$55.2	\$61.4

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





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Option 2 – Full Credibility to Novasys/HDPPPO

Actives	Medical and Pharmacy Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)	Most Recent Enrollment	
Health Advantage													
Employee Only	\$338.71	\$37.84	\$6.04	\$11.20	\$393.79	\$57.97	\$24.84	\$1.99	\$131.00	\$177.99	\$152.69	\$25.30 17%	30,042
Employee & Spouse	1,007.99	37.84	9.08	11.20	1,066.11	103.06	44.17	3.53	131.00	784.35	721.45	62.90 9%	1,557
Employee & Child(ren)	637.81	37.84	7.86	11.20	694.71	78.96	33.84	2.71	131.00	448.20	406.05	42.15 10%	5,134
Family	1,011.69	37.84	13.08	11.20	1,073.81	106.73	45.75	3.66	131.00	786.68	723.40	63.28 9%	1,795
Est. Monthly Cost (\$mil)	\$16.8	\$1.5	\$0.3	\$0.4	\$19.0	\$2.5	\$1.1	\$0.1	\$5.0	\$10.3			38,528
Novasys													
Employee Only	\$425.42	\$24.61	\$6.04	\$11.20	\$467.27	\$57.97	\$24.84	\$1.99	\$131.00	\$251.47	\$173.33	\$78.14 45%	2,962
Employee & Spouse	1,230.07	24.61	9.08	11.20	1,274.96	103.06	44.17	3.53	131.00	993.20	\$779.05	214.15 27%	116
Employee & Child(ren)	785.01	24.61	7.86	11.20	828.68	78.96	33.84	2.71	131.00	582.17	\$443.21	138.96 31%	520
Family	1,234.51	24.61	13.08	11.20	1,283.40	106.73	45.75	3.66	131.00	996.27	\$781.20	215.07 28%	182
Est. Monthly Cost (\$mil)	\$2.0	\$0.1	\$0.0	\$0.0	\$2.2	\$0.2	\$0.1	\$0.0	\$0.5	\$1.3			3,780
Novasys HD PPO													
Employee Only	\$133.58	\$24.61	\$6.04	\$11.20	\$175.43	\$57.97	\$24.84	\$1.99	\$131.00	(\$40.37)	\$48.19	(\$88.56) #####	1,855
Employee & Spouse	393.65	24.61	9.08	11.20	438.54	103.06	44.17	3.53	131.00	156.78	429.93	(273.15) -64%	154
Employee & Child(ren)	249.81	24.61	7.86	11.20	293.48	78.96	33.84	2.71	131.00	46.97	217.98	(171.01) -78%	241
Family	395.09	24.61	13.08	11.20	443.98	106.73	45.75	3.66	131.00	156.85	430.84	(273.99) -64%	293
Est. Monthly Cost (\$mil)	\$0.5	\$0.1	\$0.0	\$0.0	\$0.6	\$0.2	\$0.1	\$0.0	\$0.3	\$0.0			2,543
Total (Monthly) (\$ mil)	\$19.4	\$1.6	\$0.3	\$0.5	\$21.8	\$2.9	\$1.3	\$0.1	\$5.9	\$11.6			44,851
Est Annual Cost (\$ mil)	\$232.3	\$19.4	\$3.6	\$6.0	\$261.3	\$35.0	\$15.0	\$1.2	\$70.5	\$139.6			

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



Option 3 – Baseline with Non-Medicare Retirees Blended

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Rating Options

CLAIMS & EXPENSES		RATING FACTORS		INCURRED EXPERIENCE PERIOD																																															
Blend ASE & PSE		Use Prior Rating Method		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>ASE</th> <th>PSE</th> <th>Rx</th> </tr> </thead> <tbody> <tr> <td>Start:</td> <td>Jan-09</td> <td>Jan-09</td> <td>Feb-09</td> </tr> <tr> <td>End:</td> <td>Dec-09</td> <td>Dec-09</td> <td>Jan-10</td> </tr> </tbody> </table>				ASE	PSE	Rx	Start:	Jan-09	Jan-09	Feb-09	End:	Dec-09	Dec-09	Jan-10																																	
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Start:	Jan-09	Jan-09	Feb-09																																																
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Non-Med. Retirees	No	If no, tier factor approach:																																																	
Medicare Retirees	Yes	1 = By Tier; 2 = By Member Status; 3 = Prior																																																	
Combine NM Ret with Actives		If 2, blend children																																																	
ASE	No																																																		
PSE	Yes																																																		
Blend Novasys & HD PPO	Yes	When blending, use separate factors for:		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="background-color: #ffffcc;">Assumptions</th> </tr> <tr> <th></th> <th>2010</th> <th>2011</th> <th>2012</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>Inv Inc.</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">0.0%</td> </tr> <tr> <td>Salary</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">0.0%</td> </tr> <tr> <td colspan="5"><i>Trends:</i></td> </tr> <tr> <td>Medical</td> <td style="text-align: center;">5.0%</td> <td style="text-align: center;">5.0%</td> <td style="text-align: center;">5.0%</td> <td style="text-align: center;">5.0%</td> </tr> <tr> <td>Medicare</td> <td style="text-align: center;">5.0%</td> <td style="text-align: center;">5.0%</td> <td style="text-align: center;">5.0%</td> <td style="text-align: center;">5.0%</td> </tr> <tr> <td>Rx</td> <td style="text-align: center;">8.5%</td> <td style="text-align: center;">8.5%</td> <td style="text-align: center;">8.5%</td> <td style="text-align: center;">8.5%</td> </tr> <tr> <td>Other</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">0.0%</td> </tr> </tbody> </table>			Assumptions						2010	2011	2012	2013	Inv Inc.	0.0%	0.0%	0.0%	0.0%	Salary	0.0%	0.0%	0.0%	0.0%	<i>Trends:</i>					Medical	5.0%	5.0%	5.0%	5.0%	Medicare	5.0%	5.0%	5.0%	5.0%	Rx	8.5%	8.5%	8.5%	8.5%	Other	0.0%	0.0%	0.0%	0.0%
Assumptions																																																			
	2010	2011	2012				2013																																												
Inv Inc.	0.0%	0.0%	0.0%				0.0%																																												
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Medical	5.0%	5.0%	5.0%	5.0%																																															
Medicare	5.0%	5.0%	5.0%	5.0%																																															
Rx	8.5%	8.5%	8.5%	8.5%																																															
Other	0.0%	0.0%	0.0%	0.0%																																															
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% to Blend Pharmacy (All)	100%	Geographic Differences																																																	
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		Basis for Demog. Factors:																																																	
		1 = Age/Gender; 2 = Risk Scores																																																	
<input type="checkbox"/> DETAILED EXPERIENCE TESTING																																																			

RESULTS BELOW

To ASE Active Rates

RATES	2011	Actives			Total Rate	
	PSE					
CURRENT	Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A
Health Adv	\$ 371.43	\$ 1,008.45	\$ 656.57	\$ 1,015.95	N/A	N/A
Novasys	392.07	1,066.05	693.73	1,073.75	N/A	N/A
HD PPO	266.93	716.93	468.50	723.39	N/A	N/A
REVISED						
Health Adv	397.54	1,084.08	704.81	1,091.85	N/A	N/A
Novasys	417.59	1,137.86	739.94	1,145.81	N/A	N/A
HD PPO	280.21	754.01	492.42	760.60	N/A	N/A
CHANGE						
Health Adv	26.11	75.63	48.24	75.90	N/A	N/A
Novasys	25.52	71.81	46.21	72.06	N/A	N/A
HD PPO	13.28	37.08	23.92	37.21	N/A	N/A

Financial Forecast: PSE

Plan Year Ending	2010	2011	2012	2013
<u>Avg # Enrolled</u>	72,037	72,037	72,037	72,037
Income (in millions):				
- State / District	\$120.2	\$120.5	\$120.5	\$120.5
- Active Contrib.	130.6	144.1	158.5	174.1
- Retiree Contrib.	14.3	17.3	18.1	20.7
- Other Income	1.5	1.0	1.1	1.2
Total Income	\$266.5	\$282.9	\$298.2	\$316.5
Total Clms.&Exp.	(\$258.2)	(\$277.5)	(\$292.2)	(\$307.8)
Cash Gain/(Loss)	\$8.3	\$5.3	\$6.0	\$8.7
Assets at EOY	\$77.2	\$82.6	\$88.5	\$97.3
Net Assets	\$51.0	\$55.2	\$59.9	\$67.3

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



Option 3 – Baseline with Non-Medicare Retirees Blended

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ALLOCATED RESERVES (in \$millions)				
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	\$0.00	\$0.00	\$0.0
Retiree ME -12/31	\$1.80	\$2.40	\$1.60	\$0.0

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

RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$7.75	\$7.75	\$7.75

RESULTS BELOW

RATES	2011	Actives			Participant Contrib.	
	PSE					
BASELINE	Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A
Health Adv	\$ 152.69	\$ 721.45	\$ 406.05	\$ 723.40	N/A	N/A
Novasys	173.33	779.05	443.21	781.20	N/A	N/A
HD PPO	48.19	429.93	217.98	430.84	N/A	N/A
REVISED						
Health Adv	181.74	802.32	458.30	804.72	N/A	N/A
Novasys	201.79	856.10	493.43	858.68	N/A	N/A
HD PPO	64.41	472.25	245.91	473.47	N/A	N/A
CHANGE						
Health Adv	29.05	80.87	52.25	81.32	N/A	N/A
Novasys	28.46	77.05	50.22	77.48	N/A	N/A
HD PPO	16.22	42.32	27.93	42.63	N/A	N/A

Financial Forecast:			
	PSE		
Plan Year Ending	2010	2011	2012
Avg # Enrolled	72,037	72,037	72,037
Income (in millions):			
- State / District	\$120.2	\$120.5	\$120.5
- Active Contrib.	130.6	144.1	158.5
- Retiree Contrib.	14.3	17.3	18.1
- Other Income	1.5	1.0	1.1
Total Income	\$266.5	\$282.9	\$298.2
Total Clms.&Exp.	(\$258.2)	(\$277.5)	(\$292.2)
Cash Gain/(Loss)	\$8.3	\$5.3	\$6.0
Assets at EOY	\$77.2	\$82.6	\$88.5
Net Assets	\$51.0	\$55.2	\$59.9

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



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Option 3 - Baseline with Non-Medicare Retirees Blended

Actives	Medical and Pharmacy Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)	Most Recent Enrollment	
Health Advantage													
Employee Only	\$345.91	\$37.84	\$6.04	\$7.75	\$397.54	\$57.97	\$24.84	\$1.99	\$131.00	\$181.74	\$152.69	\$29.05 19%	30,042
Employee & Spouse	1,029.41	37.84	9.08	7.75	1,084.08	103.06	44.17	3.53	131.00	802.32	721.45	80.87 11%	1,557
Employee & Child(ren)	651.36	37.84	7.86	7.75	704.81	78.96	33.84	2.71	131.00	458.30	406.05	52.25 13%	5,134
Family	1,033.18	37.84	13.08	7.75	1,091.85	106.73	45.75	3.66	131.00	804.72	723.40	81.32 11%	1,795
Est. Monthly Cost (\$mil)	\$17.2	\$1.5	\$0.3	\$0.3	\$19.2	\$2.5	\$1.1	\$0.1	\$5.0	\$10.5			38,528
Novasys													
Employee Only	\$379.19	\$24.61	\$6.04	\$7.75	\$417.59	\$57.97	\$24.84	\$1.99	\$131.00	\$201.79	\$173.33	\$28.46 16%	2,962
Employee & Spouse	1,096.42	24.61	9.08	7.75	1,137.86	103.06	44.17	3.53	131.00	856.10	\$779.05	77.05 10%	116
Employee & Child(ren)	699.72	24.61	7.86	7.75	739.94	78.96	33.84	2.71	131.00	493.43	\$443.21	50.22 11%	520
Family	1,100.37	24.61	13.08	7.75	1,145.81	106.73	45.75	3.66	131.00	858.68	\$781.20	77.48 10%	182
Est. Monthly Cost (\$mil)	\$1.8	\$0.1	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1			3,780
Novasys HD PPO													
Employee Only	\$241.81	\$24.61	\$6.04	\$7.75	\$280.21	\$57.97	\$24.84	\$1.99	\$131.00	\$64.41	\$48.19	\$16.22 34%	1,855
Employee & Spouse	712.57	24.61	9.08	7.75	754.01	103.06	44.17	3.53	131.00	472.25	429.93	42.32 10%	154
Employee & Child(ren)	452.20	24.61	7.86	7.75	492.42	78.96	33.84	2.71	131.00	245.91	217.98	27.93 13%	241
Family	715.16	24.61	13.08	7.75	760.60	106.73	45.75	3.66	131.00	473.47	430.84	42.63 10%	293
Est. Monthly Cost (\$mil)	\$0.9	\$0.1	\$0.0	\$0.0	\$1.0	\$0.2	\$0.1	\$0.0	\$0.3	\$0.4			2,543
Total (Monthly) (\$ mil)	\$19.9	\$1.6	\$0.3	\$0.3	\$22.1	\$2.9	\$1.3	\$0.1	\$5.9	\$12.0			44,851
Est Annual Cost (\$ mil)	\$238.6	\$19.4	\$3.6	\$4.2	\$265.8	\$35.0	\$15.0	\$1.2	\$70.5	\$144.1			

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



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Option 3 - Baseline with Non-Medicare Retirees Blended

Retirees	Medical and Pharmacy Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Subsidy from Actives	Reserve Allocation	Res. Alloc.	School District Contrib.	2011 Total Ret. Cost	2010 Total Ret. Cost	Change in Premiums (\$/%)	Most Recent Enrollment
Non-Medicare Eligible												
Retiree Only	\$345.91	\$37.84	\$6.04	\$7.75	\$397.54	\$0.00	\$0.00		\$397.54	\$527.62	(\$130.08) -25%	1,818
Retiree & NME SP	1,029.41	37.84	9.08	7.75	1,084.08	0.00	0.00		1,084.08	1,213.72	(129.64) -11%	204
Retiree & Child(ren)	651.36	37.84	7.86	7.75	704.81	0.00	0.00		704.81	939.28	(234.47) -25%	11
Retiree & NME SP&CH	1,033.18	37.84	13.08	7.75	1,091.85	0.00	0.00		1,091.85	1,900.80	(808.95) -43%	2
Retiree & ME SP	478.22	37.84	6.04	7.75	529.85	0.00	0.00		529.85	609.70	(79.85) -13%	-
Retiree & ME SP & CH	783.67	37.84	7.86	7.75	837.12	0.00	0.00		837.12	1,004.01	(166.89) -17%	-
Est. Monthly Cost (\$ mil)	\$0.8	\$0.1	\$0.0	\$0.0	\$1.0	\$0.0	\$0.0		\$1.0			2,035
Medicare Eligible												
Retiree Only	\$142.04	\$15.41	Not Offered		\$157.45	\$68.15	\$37.51		\$51.79	\$41.44	\$10.35 25%	4,739
Retiree & NME SP	825.53	15.41	Not Offered		840.94	68.15	37.51		735.29	674.34	60.95 9%	136
Retiree & Child(ren)	447.48	15.41	Not Offered		462.89	68.15	37.51		357.24	421.17	(63.93) -15%	12
Retiree & NME SP&CH	829.31	15.41	Not Offered		844.72	68.15	37.51		739.06	1,054.07	(315.01) -30%	3
Retiree & ME SP	269.91	15.41	Not Offered		285.32	68.15	37.51		179.67	170.59	9.08 5%	440
Retiree & ME SP & CH	575.36	15.41	Not Offered		590.77	68.15	37.51		485.12	550.32	(65.20) -12%	2
Total Monthly Cost	\$0.9				\$1.0	\$0.4	\$0.2		\$0.4			5,332
Total (Est. Monthly)	\$1.8	\$0.1	\$0.0	\$0.0	\$1.9	\$0.4	\$0.2		\$1.4			7,367
Total (Est. Annual)	\$21.1	\$0.9	\$0.2	\$0.2	\$23.4	\$4.4	\$2.4		\$16.6			

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



Option 3A - Baseline with Non-Medicare Retirees Blended DRAFT Subsidy to Retirees Has Been Removed

HEIRON
Rating Options
H-scan

CLAIMS & EXPENSES		RATING FACTORS		INCURRED EXPERIENCE PERIOD																																														
Blend ASE & PSE		Use Prior Rating Method		<table border="1" style="font-size: 0.8em;"> <tr> <td></td> <td>ASE</td> <td>PSE</td> <td>Rx</td> </tr> <tr> <td>Start:</td> <td>Jan-09</td> <td>Jan-09</td> <td>Feb-09</td> </tr> <tr> <td>End:</td> <td>Dec-09</td> <td>Dec-09</td> <td>Jan-10</td> </tr> </table>				ASE	PSE	Rx	Start:	Jan-09	Jan-09	Feb-09	End:	Dec-09	Dec-09	Jan-10																																
	ASE	PSE	Rx																																															
Start:	Jan-09	Jan-09	Feb-09																																															
End:	Dec-09	Dec-09	Jan-10																																															
Non-Med. Retirees	No	If no, tier factor approach:	No																																															
Medicare Retirees	Yes	1 = By Tier; 2 = By Member Status; 3 = Prior	3																																															
Combine NM Ret with Actives		If 2, blend children	Yes																																															
ASE	No	When blending, use separate factors for:		<table border="1" style="font-size: 0.8em;"> <tr> <th colspan="4">Assumptions</th> </tr> <tr> <td></td> <td>2010</td> <td>2011</td> <td>2012</td> <td>2013</td> </tr> <tr> <td>Inv Inc.</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> </tr> <tr> <td>Salary</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> </tr> <tr> <td colspan="5"><i>Trends:</i></td> </tr> <tr> <td>Medical</td> <td>5.0%</td> <td>5.0%</td> <td>5.0%</td> <td>5.0%</td> </tr> <tr> <td>Medicare</td> <td>5.0%</td> <td>5.0%</td> <td>5.0%</td> <td>5.0%</td> </tr> <tr> <td>Rx</td> <td>8.5%</td> <td>8.5%</td> <td>8.5%</td> <td>8.5%</td> </tr> <tr> <td>Other</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> </tr> </table>			Assumptions					2010	2011	2012	2013	Inv Inc.	0.0%	0.0%	0.0%	0.0%	Salary	0.0%	0.0%	0.0%	0.0%	<i>Trends:</i>					Medical	5.0%	5.0%	5.0%	5.0%	Medicare	5.0%	5.0%	5.0%	5.0%	Rx	8.5%	8.5%	8.5%	8.5%	Other	0.0%	0.0%	0.0%	0.0%
Assumptions																																																		
	2010	2011	2012	2013																																														
Inv Inc.	0.0%	0.0%	0.0%	0.0%																																														
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Medical	5.0%	5.0%	5.0%	5.0%																																														
Medicare	5.0%	5.0%	5.0%	5.0%																																														
Rx	8.5%	8.5%	8.5%	8.5%																																														
Other	0.0%	0.0%	0.0%	0.0%																																														
PSE	Yes	Combine ASE and PSE	No																																															
Blend Novasys & HD PPO	Yes	Benefit Factor Differences	Yes																																															
If yes, % to Blend (ASE)	60%	Geographic Differences	No																																															
If yes, % to Blend (PSE)	60%	Demographic Differences	No																																															
% to Blend Pharmacy (All)	100%	Basis for Demog. Factors:	1																																															
<input type="checkbox"/> DETAILED EXPERIENCE TESTING		1 = Age/Gender; 2 = Risk Scores																																																

RESULTS BELOW

To ASE Active Rates

RATES	2011	Actives			Total Rate	
		PSE				
CURRENT	Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A
Health Adv	\$ 371.43	\$ 1,008.45	\$ 656.57	\$ 1,015.95	N/A	N/A
Novasys	392.07	1,066.05	693.73	1,073.75	N/A	N/A
HD PPO	266.93	716.93	468.50	723.39	N/A	N/A
REVISED						
Health Adv	389.79	1,076.33	697.06	1,084.10	N/A	N/A
Novasys	409.84	1,130.11	732.19	1,138.06	N/A	N/A
HD PPO	272.46	746.26	484.67	752.85	N/A	N/A
CHANGE						
Health Adv	18.36	67.88	40.49	68.15	N/A	N/A
Novasys	17.77	64.06	38.46	64.31	N/A	N/A
HD PPO	5.53	29.33	16.17	29.46	N/A	N/A

Financial Forecast: PSE

Plan Year Ending	2010	2011	2012	2013
Avg # Enrolled	72,037	72,037	72,037	72,037
Income (in millions):				
- State / District	\$120.2	\$120.5	\$120.5	\$120.5
- Active Contrib.	130.6	139.9	154.3	169.9
- Retiree Contrib.	14.3	20.4	22.3	24.9
- Other Income	1.5	1.0	1.1	1.2
Total Income	\$266.5	\$281.8	\$298.2	\$316.5
Total Clms.&Exp.	(\$258.2)	(\$277.5)	(\$292.2)	(\$307.8)
Cash Gain/(Loss)	\$8.3	\$4.3	\$6.0	\$8.7
Assets at EOY	\$77.2	\$81.5	\$87.5	\$96.2
Net Assets	\$51.0	\$54.1	\$58.9	\$66.3

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



Option 3A - Baseline with Non-Medicare Retirees Blended DRAFT

Subsidy to Retirees Has Been Removed

ALLOCATED RESERVES (in \$millions)					STATE/EMPLOYER FUNDING				
ASE -- PYE					ASE				
	2010	2011	2012	2013		2010	2011	2012	2013
Actives - 12/31	\$0.00	\$0.00	\$0.00	\$0.00	Base Contr.	\$390	\$390	\$390	\$390
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00	% for Ee	76%	75%	75%	75%
Retiree ME -12/31	\$0.00	\$0.00	\$0.00	\$0.00	% for Dep	51%	50%	50%	50%
PSE -- PYE					PSE				
	2010	2011	2012	2013		2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.0	Base Contr.	\$131	\$131	\$131	\$131
Retiree NME -12/31	\$2.20	\$0.00	\$0.00	\$0.0	Act 1842(\$mil)	\$35.0	\$35.0	\$35.0	\$35.0
Retiree ME -12/31	\$1.80	\$2.40	\$1.60	\$0.0	Act 1421(\$mil)	\$15.0	\$15.0	\$15.0	\$15.0
					Other(\$mil)	\$0.0	\$0.0	\$0.0	\$0.0
RETIREE SUBSIDY FROM ACTIVES									
PSE - PEPM	\$11.20	\$0.00	\$0.00	\$0.00					

RESULTS BELOW

RATES	2011	Actives			Participant Contrib.		Financial Forecast:			
		PSE						PSE		
BASELINE	Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A	Plan Year Ending	2010	2011	2012
Health Adv	\$ 152.69	\$ 721.45	\$ 406.05	\$ 723.40	N/A	N/A	<u>Avg # Enrolled</u>	72,037	72,037	72,037
Novasys	173.33	779.05	443.21	781.20	N/A	N/A	Income (in millions):			
HD PPO	48.19	429.93	217.98	430.84	N/A	N/A	- State / District	\$120.2	\$120.5	\$120.5
REVISED							- Active Contrib.	130.6	139.9	154.3
Health Adv	173.99	794.57	450.55	796.97	N/A	N/A	- Retiree Contrib.	14.3	20.4	22.3
Novasys	194.04	848.35	485.68	850.93	N/A	N/A	- Other Income	1.5	1.0	1.1
HD PPO	56.66	464.50	238.16	465.72	N/A	N/A	Total Income	\$266.5	\$281.8	\$298.2
CHANGE							Total Clms.&Exp.	(\$258.2)	(\$277.5)	(\$292.2)
Health Adv	21.30	73.12	44.50	73.57	N/A	N/A	Cash Gain/(Loss)	\$8.3	\$4.3	\$6.0
Novasys	20.71	69.30	42.47	69.73	N/A	N/A	Assets at EOY	\$77.2	\$81.5	\$87.5
HD PPO	8.47	34.57	20.18	34.88	N/A	N/A	Net Assets	\$51.0	\$54.1	\$58.9

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



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Option 3A - Baseline with Non-Medicare Retirees Blended Subsidy to Retirees Has Been Removed

Actives	Medical and Pharmacy Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)	Most Recent Enrollment	
Health Advantage													
Employee Only	\$345.91	\$37.84	\$6.04	\$0.00	\$389.79	\$57.97	\$24.84	\$1.99	\$131.00	\$173.99	\$152.69	\$21.30 14%	30,042
Employee & Spouse	1,029.41	37.84	9.08	0.00	1,076.33	103.06	44.17	3.53	131.00	794.57	721.45	73.12 10%	1,557
Employee & Child(ren)	651.36	37.84	7.86	0.00	697.06	78.96	33.84	2.71	131.00	450.55	406.05	44.50 11%	5,134
Family	1,033.18	37.84	13.08	0.00	1,084.10	106.73	45.75	3.66	131.00	796.97	723.40	73.57 10%	1,795
Est. Monthly Cost (\$mil)	\$17.2	\$1.5	\$0.3	\$0.0	\$18.9	\$2.5	\$1.1	\$0.1	\$5.0	\$10.2			38,528
Novasys													
Employee Only	\$379.19	\$24.61	\$6.04	\$0.00	\$409.84	\$57.97	\$24.84	\$1.99	\$131.00	\$194.04	\$173.33	\$20.71 12%	2,962
Employee & Spouse	1,096.42	24.61	9.08	0.00	1,130.11	103.06	44.17	3.53	131.00	848.35	\$779.05	69.30 9%	116
Employee & Child(ren)	699.72	24.61	7.86	0.00	732.19	78.96	33.84	2.71	131.00	485.68	\$443.21	42.47 10%	520
Family	1,100.37	24.61	13.08	0.00	1,138.06	106.73	45.75	3.66	131.00	850.93	\$781.20	69.73 9%	182
Est. Monthly Cost (\$mil)	\$1.8	\$0.1	\$0.0	\$0.0	\$1.9	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1			3,780
Novasys HD PPO													
Employee Only	\$241.81	\$24.61	\$6.04	\$0.00	\$272.46	\$57.97	\$24.84	\$1.99	\$131.00	\$56.66	\$48.19	\$8.47 18%	1,855
Employee & Spouse	712.57	24.61	9.08	0.00	746.26	103.06	44.17	3.53	131.00	464.50	429.93	34.57 8%	154
Employee & Child(ren)	452.20	24.61	7.86	0.00	484.67	78.96	33.84	2.71	131.00	238.16	217.98	20.18 9%	241
Family	715.16	24.61	13.08	0.00	752.85	106.73	45.75	3.66	131.00	465.72	430.84	34.88 8%	293
Est. Monthly Cost (\$mil)	\$0.9	\$0.1	\$0.0	\$0.0	\$1.0	\$0.2	\$0.1	\$0.0	\$0.3	\$0.4			2,543
Total (Monthly) (\$ mil)	\$19.9	\$1.6	\$0.3	\$0.0	\$21.8	\$2.9	\$1.3	\$0.1	\$5.9	\$11.7			44,851
Est Annual Cost (\$ mil)	\$238.6	\$19.4	\$3.6	\$0.0	\$261.6	\$35.0	\$15.0	\$1.2	\$70.5	\$139.9			

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



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Option 3A - Baseline with Non-Medicare Retirees Blended Subsidy to Retirees Has Been Removed

Retirees	Medical and Pharmacy Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Subsidy from Actives	Reserve Allocation	Res. Alloc.	School District Contrib.	2011 Total Ret. Cost	2010 Total Ret. Cost	Change in Premiums (\$/%)	Most Recent Enrollment
Non-Medicare Eligible												
Retiree Only	\$345.91	\$37.84	\$6.04	\$0.00	\$389.79	\$0.00	\$0.00		\$389.79	\$527.62	(\$137.83) -26%	1,818
Retiree & NME SP	1,029.41	37.84	9.08	-	1,076.33	0.00	0.00		1,076.33	1,213.72	(137.39) -11%	204
Retiree & Child(ren)	651.36	37.84	7.86	-	697.06	0.00	0.00		697.06	939.28	(242.22) -26%	11
Retiree & NME SP&CH	1,033.18	37.84	13.08	-	1,084.10	0.00	0.00		1,084.10	1,900.80	(816.70) -43%	2
Retiree & ME SP	478.22	37.84	6.04	-	522.10	0.00	0.00		522.10	609.70	(87.60) -14%	-
Retiree & ME SP & CH	783.67	37.84	7.86	-	829.37	0.00	0.00		829.37	1,004.01	(174.64) -17%	-
Est. Monthly Cost (\$ mil)	\$0.8	\$0.1	\$0.0	\$0.0	\$0.9	\$0.0	\$0.0		\$0.9			2,035
Medicare Eligible												
Retiree Only	\$142.04	\$15.41	Not Offered		\$157.45	\$0.00	\$37.51		\$119.94	\$41.44	\$78.50 189%	4,739
Retiree & NME SP	825.53	15.41	Not Offered		840.94	-	37.51		803.43	674.34	129.09 19%	136
Retiree & Child(ren)	447.48	15.41	Not Offered		462.89	-	37.51		425.39	421.17	4.22 1%	12
Retiree & NME SP&CH	829.31	15.41	Not Offered		844.72	-	37.51		807.21	1,054.07	(246.86) -23%	3
Retiree & ME SP	269.91	15.41	Not Offered		285.32	-	37.51		247.81	170.59	77.22 45%	440
Retiree & ME SP & CH	575.36	15.41	Not Offered		590.77	-	37.51		553.26	550.32	2.94 1%	2
Total Monthly Cost	\$0.9				\$1.0	\$0.0	\$0.2		\$0.8			5,332
Total (Est. Monthly)	\$1.8	\$0.1	\$0.0	\$0.0	\$1.9	\$0.0	\$0.2		\$1.7			7,367
Total (Est. Annual)	\$21.1	\$0.9	\$0.2	\$0.0	\$23.2	\$0.0	\$2.4		\$20.8			

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



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Comparison of Rates

Actives	Total Monthly Premium				2010-2011 Total Cost (to Participants)			
	Option 1 - Baseline	Option 2 - Full Cred	Option 3 - Blend Ret.	Option 3A - No Subsidy	Option 1 - Baseline	Option 2 - Full Cred	Option 3 - Blend Ret.	Option 3A - No Subsidy
Health Advantage								
Employee Only	\$390.98	\$393.79	\$397.54	\$389.79	\$175.18	\$177.99	\$181.74	\$173.99
Employee & Spouse	1,057.74	1,066.11	1,084.08	1,076.33	775.98	784.35	802.32	794.57
Employee & Child(ren)	689.41	694.71	704.81	697.06	442.90	448.20	458.30	450.55
Family	1,065.40	1,073.81	1,091.85	1,084.10	778.27	786.68	804.72	796.97
Est. Monthly Cost (\$ mil)	\$18.8	\$19.0	\$19.2	\$18.9	\$10.1	\$10.3	\$10.5	\$10.2
Novasys								
Employee Only	\$416.86	\$467.27	\$417.59	\$409.84	\$201.06	\$251.47	\$201.79	\$194.04
Employee & Spouse	1,129.21	1,274.96	1,137.86	1,130.11	847.45	993.20	856.10	848.35
Employee & Child(ren)	735.66	828.68	739.94	732.19	489.15	582.17	493.43	485.68
Family	1,137.12	1,283.40	1,145.81	1,138.06	849.99	996.27	858.68	850.93
Est. Monthly Cost (\$ mil)	\$2.0	\$2.2	\$2.0	\$1.9	\$1.1	\$1.3	\$1.1	\$1.1
Novasys HD PPO								
Employee Only	\$280.55	\$175.43	\$280.21	\$272.46	\$64.75	(\$40.37)	\$64.41	\$56.66
Employee & Spouse	748.31	438.54	754.01	746.26	466.55	156.78	472.25	464.50
Employee & Child(ren)	490.06	293.48	492.42	484.67	243.55	46.97	245.91	238.16
Family	754.87	443.98	760.60	752.85	467.74	156.85	473.47	465.72
Est. Monthly Cost (\$ mil)	\$1.0	\$0.6	\$1.0	\$1.0	\$0.4	\$0.0	\$0.4	\$0.4
Total (Monthly) (\$ mil)	\$21.8	\$21.8	\$22.1	\$21.8	\$11.6	\$11.6	\$12.0	\$11.7
Est Annual Cost (\$ mil)	\$261.3	\$261.3	\$265.8	\$261.6	\$139.6	\$139.6	\$144.1	\$139.9

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



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Appendix A – 2009-2010 Final Rate Details

Actives	Medical	Prescription Drug	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2010 Total EE Cost	2009 Total EE Cost	Change in Retiree Premiums (\$ / %)	Most Recent Enrollment
Health Advantage													
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%	28,411
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%	1,640
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%	4,902
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%	1,801
Est. Monthly Cost (\$ mil)	\$13.2	\$3.4	\$0.2	\$0.4	\$17.3	\$2.4	\$1.1	\$0.1	\$4.8	\$8.8			36,754
Novasys													
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%	3,740
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%	164
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%	704
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%	274
Est. Monthly Cost (\$ mil)	\$1.9	\$0.4	\$0.0	\$0.1	\$2.4	\$0.3	\$0.1	\$0.0	\$0.6	\$1.3			4,882
Novasys HD PPO													
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%	1,493
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%	117
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%	191
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%	215
Est. Monthly Cost (\$ mil)	\$0.6	\$0.1	\$0.0	\$0.0	\$0.7	\$0.1	\$0.1	\$0.0	\$0.3	\$0.3			2,016
Total (Monthly) (\$ mil)	\$15.7	\$3.9	\$0.3	\$0.5	\$20.4	\$2.9	\$1.3	\$0.2	\$5.7	\$10.4			43,652
Est Annual Cost (\$ mil)	\$188.1	\$47.3	\$3.6	\$5.9	\$244.9	\$34.8	\$15.0	\$2.0	\$68.6	\$124.5			



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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 person per month (PPPM) 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:	5.00%	5.00%	5.00%	Use either Medicare	0.00%	8.50%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%	or Non-Medicare Factors	0.00%	Not Used	0.00%	0.00%

* Unless otherwise shown in the screen capture. Please see additional analyses on following page.

Historical Benefit Adjustment Factors applied to the PPPM 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	1.000	1.000	1.000
PSE non-Medicare 2008:	0.9776	0.9776	0.9168	or Non-Medicare Factors	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	1.000	1.000	1.000
ASE / PSE Medicare 2009:	1.0650	N/A	N/A	or Non-Medicare Factors	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		Not Applicable

* reflects Medicare Parts A and B.

Expenses:	Actives	Actives	Retirees	Retirees	Actives & Retirees
Per Subscriber Per Month	Health Advantage	NovaSys	Non-Medicare	Medicare	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 Integrail 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 - Not Applicable

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



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Appendix B

Assumptions & Methods (continued)

Used for Incurred Claims Development:

Method: We calculated the Paid-to-Date claims by network provider and major rate structure (Actives, non-Medicare retirees v. Medicare retirees) by using the claims triangles for Health Advantage and the individual claims and eligibility databases for NovaSys and InformedRx. To determine the relationship and family tiers, we link each claim to the eligibility database. Also, we use the Plan ID in the eligibility data for each month 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, 2009 to December 31, 2009 and process dates from January 1, 2009 to February 28, 2010. We assume November and December 2009 are split in the same relationship between rating tiers as the October 2009 individual claims.

NovaSys: Service dates from January 1, 2009 to December 31, 2009 and process dates from January 1, 2009 to February 28, 2010.

Pharmacy: Service dates from February 1, 2009 to January 31, 2009 and process dates from February 1, 2009 to February 28, 2010.

Completion Factors:

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 February 28, 2010 to develop the completion factors.

NovaSys: 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 February 28, 2010 to develop the completion factors. We aggregate the data by network provider and major rate structure (Actives, non-Medicare retirees v. Medicare retirees)

Pharmacy: We used the individual claims database with service dates from January 1, 2008 to January 31, 2010 and process dates from January 1, 2008 to February 28, 2010 to develop the completion factors. We aggregated the data by network provider and major rate structure (Actives, non-Medicare retirees v. Medicare retirees)

PSE		<table border="1"> <thead> <tr> <th>Health Advantage</th> <th>NovaSys</th> <th>HD PPO</th> <th>Pharmacy</th> <th>ARHealth Non-Medicare Retirees</th> <th>Pharmacy non-Medicare Retirees</th> <th>ARHealth Medicare Retirees</th> <th>Pharmacy Medicare Retirees</th> </tr> </thead> <tbody> <tr> <td>January-09</td> <td>0.998</td> <td>0.994</td> <td>0.998</td> <td>1.000</td> <td>0.993</td> <td>1.000</td> <td>0.987</td> <td>Not Applicable</td> </tr> <tr> <td>February-09</td> <td>0.997</td> <td>0.993</td> <td>0.998</td> <td>1.000</td> <td>0.989</td> <td>1.000</td> <td>0.987</td> <td>Not Applicable</td> </tr> <tr> <td>March-09</td> <td>0.994</td> <td>0.991</td> <td>0.994</td> <td>1.000</td> <td>0.989</td> <td>1.000</td> <td>0.986</td> <td>Not Applicable</td> </tr> <tr> <td>April-09</td> <td>0.991</td> <td>0.981</td> <td>0.994</td> <td>1.000</td> <td>0.987</td> <td>1.000</td> <td>0.982</td> <td>Not Applicable</td> </tr> <tr> <td>May-09</td> <td>0.989</td> <td>0.977</td> <td>0.992</td> <td>1.000</td> <td>0.982</td> <td>1.000</td> <td>0.979</td> <td>Not Applicable</td> </tr> <tr> <td>June-09</td> <td>0.986</td> <td>0.972</td> <td>0.984</td> <td>1.000</td> <td>0.980</td> <td>1.000</td> <td>0.974</td> <td>Not Applicable</td> </tr> <tr> <td>July-09</td> <td>0.978</td> <td>0.966</td> <td>0.959</td> <td>1.000</td> <td>0.969</td> <td>1.000</td> <td>0.968</td> <td>Not Applicable</td> </tr> <tr> <td>August-09</td> <td>0.963</td> <td>0.954</td> <td>0.948</td> <td>1.000</td> <td>0.961</td> <td>1.000</td> <td>0.958</td> <td>Not Applicable</td> </tr> <tr> <td>September-09</td> <td>0.932</td> <td>0.935</td> <td>0.929</td> <td>1.000</td> <td>0.937</td> <td>1.000</td> <td>0.932</td> <td>Not Applicable</td> </tr> <tr> <td>October-09</td> <td>0.868</td> <td>0.891</td> <td>0.888</td> <td>0.999</td> <td>0.896</td> <td>1.000</td> <td>0.889</td> <td>Not Applicable</td> </tr> <tr> <td>November-09</td> <td>0.738</td> <td>0.775</td> <td>0.732</td> <td>0.999</td> <td>0.758</td> <td>1.000</td> <td>0.715</td> <td>Not Applicable</td> </tr> <tr> <td>December-09</td> <td>0.254</td> <td>0.228</td> <td>0.147</td> <td>0.999</td> <td>0.266</td> <td>1.000</td> <td>0.056</td> <td>Not Applicable</td> </tr> </tbody> </table>								Health Advantage	NovaSys	HD PPO	Pharmacy	ARHealth Non-Medicare Retirees	Pharmacy non-Medicare Retirees	ARHealth Medicare Retirees	Pharmacy Medicare Retirees	January-09	0.998	0.994	0.998	1.000	0.993	1.000	0.987	Not Applicable	February-09	0.997	0.993	0.998	1.000	0.989	1.000	0.987	Not Applicable	March-09	0.994	0.991	0.994	1.000	0.989	1.000	0.986	Not Applicable	April-09	0.991	0.981	0.994	1.000	0.987	1.000	0.982	Not Applicable	May-09	0.989	0.977	0.992	1.000	0.982	1.000	0.979	Not Applicable	June-09	0.986	0.972	0.984	1.000	0.980	1.000	0.974	Not Applicable	July-09	0.978	0.966	0.959	1.000	0.969	1.000	0.968	Not Applicable	August-09	0.963	0.954	0.948	1.000	0.961	1.000	0.958	Not Applicable	September-09	0.932	0.935	0.929	1.000	0.937	1.000	0.932	Not Applicable	October-09	0.868	0.891	0.888	0.999	0.896	1.000	0.889	Not Applicable	November-09	0.738	0.775	0.732	0.999	0.758	1.000	0.715	Not Applicable	December-09	0.254	0.228	0.147	0.999	0.266	1.000	0.056	Not Applicable
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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:

	Actives (10/1 - 9/30)	Retirees (1/1-12/31)
Previously adopted reserves allocations:		
PSE 2010:	\$2.00	\$2.20
PSE 2011:	\$1.20	\$1.32
PSE 2012:	\$0.80	\$0.88
PSE *	Amount in \$ Millions	
Legislature:		
Act 1842	\$50	\$50
Act 1421	\$35	\$35
Interest Income:	\$15	\$15
Active Employee Subsidy:	\$0	\$0
	\$6	\$6

* Unless otherwise shown in the screen capture.





Appendix B

Assumptions & Methods (continued)

Annual Trend*:	Health				Use either Medicare or Non-Medicare Factors	Behavioral			
	Advantage	NovaSys	HD PPO	ARHealth Retirees		Health	Pharmacy	Life	Expenses
non-Medicare:	5.00%	5.00%	5.00%			0.00%	8.50%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%			0.00%	Not Used	0.00%	0.00%

* Unless otherwise shown in the screen capture. Below we show the development of the trend assumptions.

Underlying Incurred Claim Trends Adjusted for Demographic and Geographic Changes

- 1 Medical Incurred Active Plan Cost CY09 v. CY08: **2.20%**
(with retirees the trend rate is even lower)
- 2 Rx Incurred All Plan Cost CY09 v. CY08: **4.80%**

Reasons Trends so Low:

- 3 Medical Network Providers (Health Advantage and NovaSys) have been able to keep contractual rates flat.
- 4 Savings on Medical by using Specialty Drugs via the Ascend Specialty Drug Program
- 5 Saving on Pharmacy by implementing programs promoting cost effective drug use
- 6 Effective Large Claim Management

Reasons to Keep Trends Low:

- 7 2010 Contract for Health Advantage have no rate increase - per phone call
- 8 2010 Contract for NovaSys should be more favorable -- they are doing additional analysis
- 9 Believe the generic utilization will improve another 1.3%
- 10 Believe that more options still exist to promote cost effective use of specialty and brand drugs
- 11 Believe that more options still exist to have no trend on large claims

Calculations:

	Annualized Rate	Period Factor		Rx Weights	Cost Weights
Utilization for 20 month:	2.20%	103.7%	Generic*	9%	50%
Price for 12 month:	0.00%	100.0%	Brand*	3%	30%
Price for 9 month:	7.00%	105.2%	Specialty*	15%	20%
	5.10%	109.1%			8.4%
Adjust for no trend on large claims:	4.8%				

* Includes shifts in utilization



Appendix C - Gain / Loss

Reconciliation of 2008-2009 PSE Net Income/(Loss)

⊕ From the September 2009 Financial Report (Year-to-date)

	<u>\$ in Millions</u>
Net Income/(Loss)	\$ 5.2
Reserves Allocated	13.6
Net Income/(Loss) After Reserves	\$ 18.8

⊕ Where did the \$18.8 million come from?

Items that are not assumed to repeat

Active Enrollment Lower than Projected	\$ 1.0
July 2009 Payment from Act 1421	\$ 3.8
Net Income from Retirees	\$ 1.4
Investment Income	\$ 0.9
Other Unanticipated Items	<u>\$ (0.1)</u>
TOTAL	\$ 7.0

Items that have already been reflected in 2009-10 rates

Net Income from Lifestyle Assessment	<u>\$ 6.1</u>
TOTAL	\$ 6.1

Items that will affect 2010-11 rates

Medical experience better than projected	\$ 2.3
Pharmacy experience better than projected	\$ 2.8
Behavioral Health premiums lower than projected	<u>\$ 0.6</u>
TOTAL	\$ 5.7
<i>Percent of 2008-9 expenses</i>	2.2%

GRAND TOTAL	<u>\$ 18.8</u>
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