

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
March 4, 2011**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Friday, March 4, 2011 at 1:30 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

Lloyd Black
Janis Harrison
Shelby McCook
Becky Walker
Gwen Wiggins
Bob Alexander

Members Absent

Jeff Altemus

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

Others Present:

George Platt, Leigh Ann Chrouch, Michelle Hazelette, Doug Shackelford, Stella Greene, Marla Wallace, Donna Cook, Florence Marvin, Latryce Taylor, Lori Eden, Amy Redd, Sherry Bryant, Cathy Harris, EBD; Rhonda Hill, ACHI-EBD; Ron Deberry, David Bridges, AR BC/BS Health Advantage; Shonda Rocke, Connie Bennett, InformedRx; Bryan Meldrum, NovaSys; Wayne Whitley, Sarah Sanders, AR Highway & Transportation Dept; John Greer, Humana; George Burks, USABLE Life;

Call to Order

The meeting was called to order by Lloyd Black, Vice-Chairman.

Approval of Minutes

A request was made by Black to approve the January 14, 2011 minutes. Harrison made the motion to approve. Walker seconded. All were in favor. Minutes approved.

2010 PLAN YEAR MONITORING *by John Colberg, Cheiron*

Colberg presented the monitoring report for Arkansas State Employees (ASE) and Public School Employees (PSE) for December 31, 2008 through December 31, 2010.

Colberg reported ASE assets continued to grow through the end of calendar year 2010. Participation has decreased slightly from that used in developing the 2011 rates. Trends for Health Advantage have increased significantly for 2010.

PSE Plan Year 2010 resulted in a gain on an incurred basis, despite a projected loss of nearly \$11 million. Participation has increased in the Plan, with most of the increase coming in the HD PPO plan. The increase in overall Plan costs per enrolled averaged approximately 4% for the past year. Unless experience improves, the Plan will likely not have much additional reserve money to offset rate increases for 2012.

No action was taken by the committee.

ASE LIFE INSURANCE *by Jason Lee, EBD Executive Director*

Lee said a Legislator has inquired about difference in benefit coverage for life insurance for Legislators & Constitutional Officers and State Employees.

Lee presented the committee with a side by side comparison report of the current group life benefit coverage. Lee said the policy has been around for quite awhile and the Board has not reviewed or directed them to change the coverage. The Supplemental life insurance was based on salary until the policy was changed in 2008.

McCook made the motion to consult with MN Life to find out what it will cost to offer identical coverage for Legislators & Constitutional Officers and State Employees. Wiggins seconded. All were in favor. Motion carried.

DIRECTORS REPORT *by Jason Lee*

2010 ASE Plan year review

Lee presented the committee with the 2010 ASE Plan year review.

The 2010 Plan Year incorporated only a few changes from 2009; hearing exams, hearing aids, and vision exams were added to the standard schedule of benefits. Enrollment remained stable with 85% of eligible employee selecting to join the plan. HD PPO participation remained virtually flat for state employees even in light of a reduction of premium. Medical and Pharmacy claims utilization on a per contract per month basis increased above 2009 level however mental health premiums and administration expenses fell.

Legislative Update

Lee reported **HB1315** has passed the House and the Senate. **HB1315** requires health plans to provide coverage for autism spectrum disorders and behavioral analysis therapy.

Lee said **SB66**-An act to require Health Plans to provide coverage for the treatment of morbid obesity will be presented for consideration on Tuesday, March 8th.

Lee informed the committee that the Board has instructed him to work through Cheiron to obtain a legal opinion as to whether or not the Plan is subject to a Public Health Service Act in a self funded governmental plan. Lee said Cheiron's compliance team has reviewed previous Attorney General (AG) opinions regarding this issue. The AG views were that the state law governs the network that the Plan is subject to, and that the HMO state laws also directly impacted the Plan. Lee said it is logically to assume that state laws regarding benefits would require them to follow as well. Lee said Cheiron is in the process of getting an actual legal opinion.

Lee reported the Gold Request for Proposal (RFP) is in the process of being scored. The Silver, Bronze and Pharmacy Benefit Managers (PBM) RFP will be given to state procurement very soon.

Meeting adjourned.

The following pages
were made available to
attendees of the meeting

AGENDA

State and Public School Life and Health Insurance Board

Benefits Sub-Committee

EBD Board Room - 501 Building - 5th Floor

March 4, 2011 1:30 p.m.

1. **Call to Order** *Lloyd Black, Vice-Chairman*
2. **Approval of Minutes** *Lloyd Black, Vice-Chairman*
3. **2010 Plan Year Monitoring Report** *John Colberg, Cheiron*
4. **ASE Life Insurance** *Jason Lee, Executive Director*
5. **Director's Report** *Jason Lee, Executive Director*

Next Meeting
April 8th, 2011

2010 ASE - Plan Year Review

The 2010 Plan Year incorporated only a few changes from 2009; hearing exams, hearing aids, and vision exams were added to the standard schedule of benefits. Enrollment remained stable with 85% of eligible employees electing to join the plan. HD PPO participation remained virtually flat for state employees even in light of a reduction of premium. Medical and Pharmacy claims utilization on a per contract per month basis increased above 2009 level however mental health premiums and administration expenses fell.

	Total	Per Contract Per Month (PCPM)	Percent of Total Spend	Percent of Enrollment	Jan-10	Jan-11
Medical Claims Expense	\$159,511,301.00	\$365.94	68%	ARHealth	96.79%	96.38%
Pharmacy Claims Expense	\$58,856,433.00	\$135.02	25%	ARHealth HD PPO	3.21%	3.62%
Behavioral Health Expense	\$3,409,733.00	\$7.82	1%			
Administration Expense	<u>\$14,022,007.00</u>	\$32.17	6%			
Total *	\$235,799,474.00				<i>2010 Contract Months</i>	<i>435,900</i>

	2007		2008		2009		2010
Medical Claims - PCPM	\$ 361.47	\$	351.77	\$	351.31	\$	\$365.94
Pharmacy Claims - PCPM	\$ 121.86	\$	124.29	\$	132.61	\$	\$135.02
Behavioral Health - PCPM	\$ 8.24	\$	8.05	\$	7.90	\$	\$7.82
Administration - PCPM	<u>\$ 37.18</u>	<u>\$</u>	<u>33.49</u>	<u>\$</u>	<u>32.88</u>	<u>\$</u>	<u>\$32.17</u>
	\$ 528.75	\$	517.60	\$	524.70	\$	540.95

	2007		2008		2009		2010
Medical Claims - PCPM	68%		68%		67%		68%
Pharmacy Claims - PCPM	23%		24%		25%		25%
Behavioral Health - PCPM	2%		2%		2%		1%
Administration - PCPM	7%		6%		6%		6%

* Actual financial statement reflects IBNR and Refunds not reflected here

Information taken from December 2010 financial report and ARBenefits.org enrollment data

Contract defined as primary employee member or retiree member - count does not include dependents

	2009	423254		
Med	148691921	\$ 351.31		67%
Behav	3344459	\$ 7.90		2%
Rx	56126034	\$ 132.61		25%
Admin	13917617	\$ 32.88		6%
	222080031	\$ 524.70		

	2008	414098		
Med	145668777	\$ 351.77		66%
Behav	3331695	\$ 8.05		2%
Rx	51466980	\$ 124.29		23%
Admin	13869867	\$ 33.49		6%
	214337319	\$ 517.60		

	2007	406104		
Med	146795270	\$ 361.47		66%
Behav	3344896	\$ 8.24		2%
Rx	49487112	\$ 121.86		22%
Admin	15099820	\$ 37.18		7%
	214727098	\$ 528.75		

EBD State of Arkansas
Group Life Benefit Comparison Summary

	Legislators & Constitutional Officers	State Employee												
Basic <i>Member</i>	<p style="text-align: center;">\$10,000 non-contributory (Employer paid) + <u>\$30,000 (Member paid at flat rate)</u></p> <p style="text-align: center; color: red; font-size: 1.2em;">\$40,000</p> <p><u>Reduction:</u> \$10,000 non-contributory (Employer paid) Age 65 reduce to \$5,000 Age 70 reduce to \$4,000</p> <p>\$30,000 contributory (Member paid) Age 65 reduce 50% Age 70 reduce 50% of already 50% (1/4)</p> <p>AD&D stops at age 75</p>	<p style="text-align: center; color: blue; font-size: 1.2em;">\$10,000 (Employer paid)</p> <p><u>Reduction:</u> Age 65 reduce to \$5,000 Age 70 reduce to \$4,000</p> <p>AD&D stops at age 75</p>												
Supplemental (Member paid) <i>Member</i>	<p style="text-align: center; color: red; font-size: 1.2em;">Up to \$50,000 maximum (\$1,000 Increments)</p> <p><u>Reduction:</u> Age 65 = 50% Age 70 = 25% Age 70 Basic + Supplemental <\$20,000.</p>	<p style="text-align: center; color: blue; font-size: 1.2em;">Up to \$250,000 maximum (\$1,000 Increments)</p> <p><u>Reduction:</u> Age 65 = 50% Age 70 = 25% Age 70 Basic + Supplemental <\$20,000.</p>												
<i>Spouse</i>	<ul style="list-style-type: none"> • 1 or 2 units • \$20,000 unit • GI \$20,000 (1 unit) 	<ul style="list-style-type: none"> • 1, 2, 3, 4 or 5 units • \$4,000 unit • GI \$4,000 (1 unit) 												
<i>Child</i>	<ul style="list-style-type: none"> • 1 or 2 units <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Age</th> <th style="text-align: center;">Unit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">14 days < 3 years</td> <td style="text-align: center;">\$10,000</td> </tr> <tr> <td style="text-align: center;">3 years and older</td> <td style="text-align: center;">\$20,000</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • GI \$20,000 	Age	Unit	14 days < 3 years	\$10,000	3 years and older	\$20,000	<ul style="list-style-type: none"> • 1, 2, 3, 4 or 5 units <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Age</th> <th style="text-align: center;">Unit</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">14 days < 3 years</td> <td style="text-align: center;">\$2,000</td> </tr> <tr> <td style="text-align: center;">3 years and older</td> <td style="text-align: center;">\$4,000</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • GI \$4,000 	Age	Unit	14 days < 3 years	\$2,000	3 years and older	\$4,000
Age	Unit													
14 days < 3 years	\$10,000													
3 years and older	\$20,000													
Age	Unit													
14 days < 3 years	\$2,000													
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Arkansas State Employees (ASE)

**Monitoring Report
through December 31, 2010**

**Presented on
March 4, 2011**

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Comments

- Assets continued to grow through the end of calendar year 2010.
- Participation has decreased slightly from that used in developing the 2011 rates.
- Trends for Health Advantage have increased significantly for 2010. We will be further investigating.

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

Total Plan Experience

Principal Results (\$ millions)	Plan Year 2010 - 1/01/10 - 12/31/10 -		Plan Year 2011 - 1/01/11 - 12/31/11 -	
	ACCOUNTING BASIS	Actual	Projected ¹	Updated Proj. ²
Employer Contributions	\$ 163.4	\$ 161.1	\$ 162.9	\$ 162.9
Participant Contributions & Rebates ⁴	\$ 95.7	\$ 81.1	\$ 84.9	\$ 85.6
Other Income	\$ 3.2	\$ -	\$ -	\$ -
TOTAL INCOME	\$ 262.3	\$ 242.3	\$ 247.7	\$ 248.4
Claims Paid + IBNR Change	\$ (225.5)	\$ (225.7)	\$ (235.7)	\$ (233.9)
Expenses	\$ (14.0)	\$ (16.6)	\$ (13.8)	\$ (13.9)
TOTAL EXPENDITURES	\$ (239.5)	\$ (242.3)	\$ (249.5)	\$ (247.8)
NET PLAN GAIN / (LOSS)	\$ 22.8	\$ -	\$ (1.7)	\$ 0.6
INCURRED BASIS				
TOTAL INCOME	\$ 262.3	\$ 242.3	\$ 247.7	\$ 248.4
Claims Incurred	\$ (225.3)	\$ (225.7)	\$ (234.8)	\$ (234.5)
Expenses	\$ (14.0)	\$ (16.6)	\$ (13.8)	\$ (13.9)
TOTAL EXPENDITURES INCURRED	\$ (239.3)	\$ (242.3)	\$ (248.6)	\$ (248.4)
NET CHANGE	\$ 23.0	\$ -	\$ (0.9)	\$ 0.1
PLAN ASSETS				
Net Assets (Prior to IBNR)	\$ 108.2	#N/A	\$ 106.7	\$ 104.3
IBNR Reserve	\$ (24.3)	#N/A	\$ (24.4)	\$ (24.9)
Other Allocated Reserves	\$ (9.6)	#N/A	\$ (9.6)	\$ (9.6)
NET ASSETS AVAILABLE	\$ 74.4	#N/A	\$ 72.7	\$ 69.8
ENROLLMENT				
Active Employees (includes COBRA)	27,581	26,797	27,453	27,683
Retirees	8,714	8,294	8,926	8,983
Total Employees Enrolled	36,295	35,091	36,379	36,666
TOTAL INCOME PEPM	\$ 602	\$ 575	\$ 567	\$ 565
TOTAL EXPENDITURES PEPM	\$ (550)	\$ (575)	\$ (570)	\$ (564)

¹ All 2010 and earlier projections presented in this report were produced by Milliman.

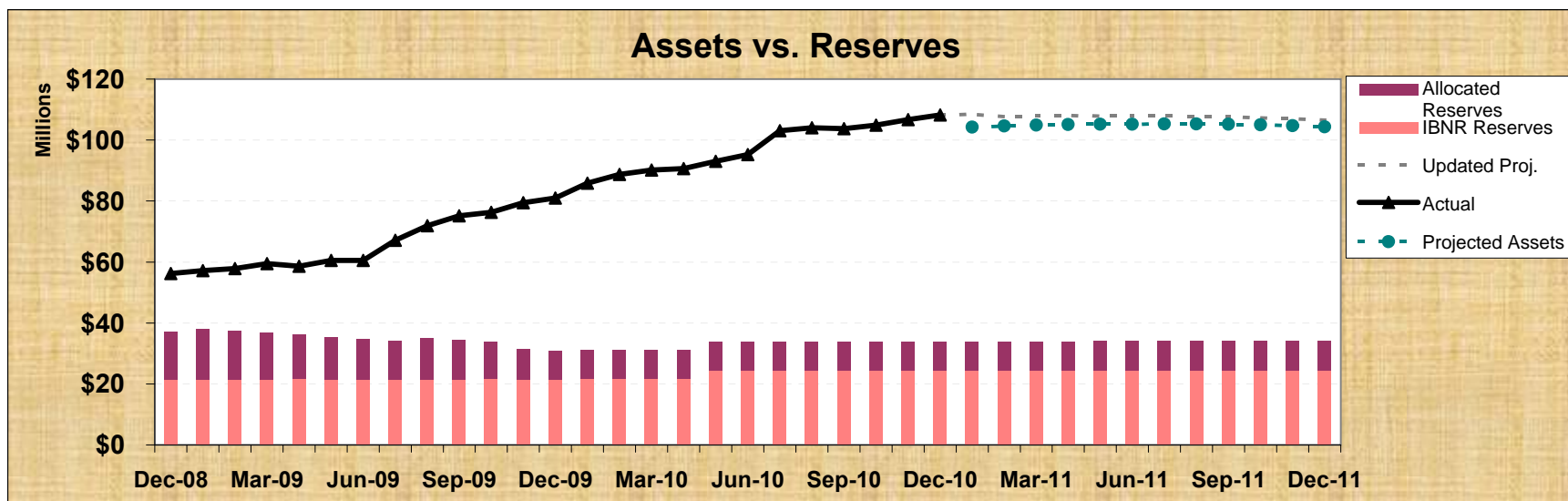
² Updated Projections are the original projection done in setting the rates updated for current participant counts.

³ Original Projections are the projections done in setting the rates.

⁴ Actual figures include pharmacy rebates. Pharmacy rebates are not included in any of the projections.

Total Plan Experience

The chart below shows the Plan's assets compared to projected assets and target reserve levels. Projected assets represent the projections used to set the rates. The updated projections reflect asset experience and participant changes since those rates were set; however, they do not reflect any changes to claims experience.

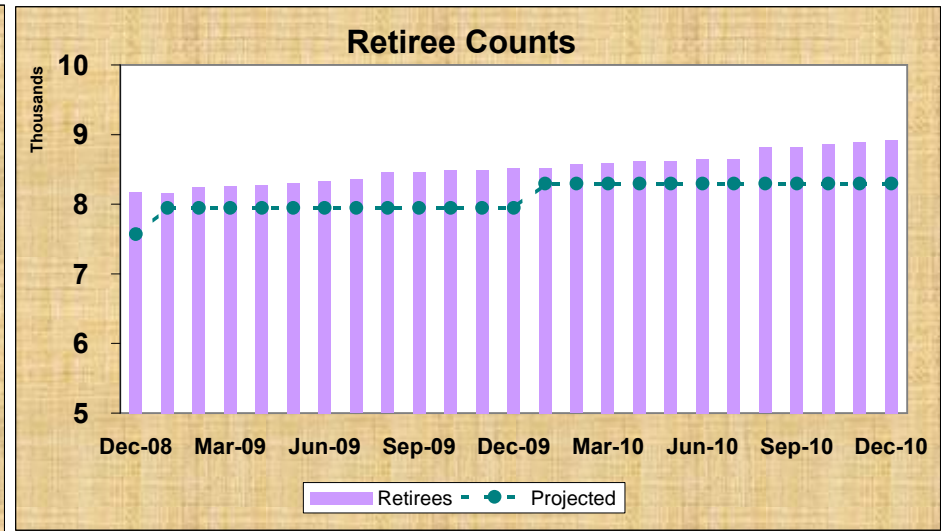
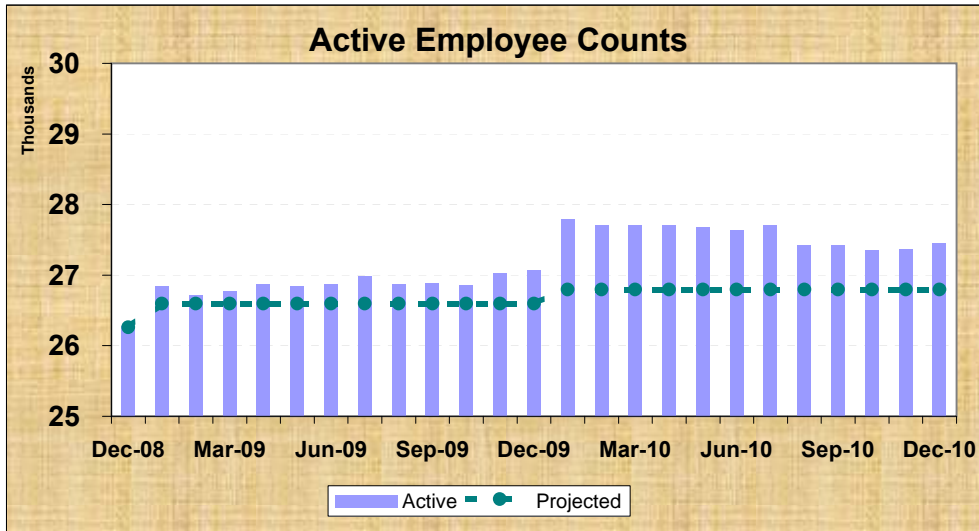


(In Millions \$)	As of	12/31/2008	12/31/2009	12/31/2010	Updated Projection 12/31/2011
Net Assets before IBNR	\$	56.2	\$ 81.0	\$ 108.2	\$ 106.5
IBNR Reserve		(21.5)	(21.5)	(24.3)	(24.4)
Allocated Reserves*		(15.8)	(9.4)	(9.6)	(9.6)
Net Assets Available	\$	18.9	\$ 50.1	\$ 74.3	\$ 72.5
Projected Assets		#N/A	#N/A	#N/A	\$ 104.3
Projected IBNR Reserve		#N/A	#N/A	#N/A	(24.9)
Projected Allocated Reserves		#N/A	#N/A	#N/A	(9.6)
Projected Net Assets		#N/A	#N/A	#N/A	\$ 69.8

Plan Year Ending	12/31/2008	12/31/2009	12/31/2010	12/31/2011
Funding	\$ 227.8	\$ 247.1	\$ 262.3	\$ 247.7
Expenses	215.4	223.1	239.5	249.5
Net Income / (Loss)	\$ 12.4	\$ 24.0	\$ 22.8	\$ (1.8)
Projected Net Income / (Loss)	\$ (2.2)	\$ (8.0)	\$ -	\$ 0.1

*Allocated Reserves include reserves for premium reductions, catastrophic events and pharmacy reward program as shown in Appendix E.

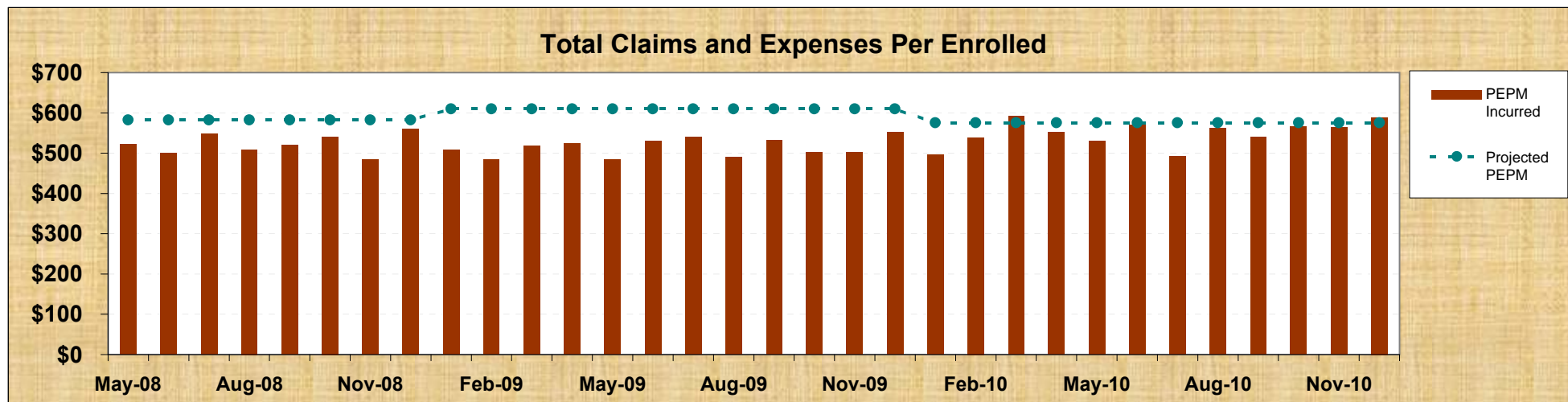
Enrollment



Average for Year Ending		12/31/2008	12/31/2009	12/31/2010	Updated Projection 12/31/2011
Actives (includes COBRA contracts)	Health Advantage	22,257	24,751	25,421	25,266
	NovaSys	3,575	1,285	1,226	1,211
	NovaSys HD	636	849	935	976
	Total	26,468	26,885	27,581	27,453
	Original Projected	26,262	26,597	26,797	27,683
Retirees (includes Surviving Spouses)	Non-Medicare Retirees	1,803	1,873	1,925	1,996
	Medicare Retirees	6,180	6,491	6,788	6,930
	Total	7,983	8,364	8,714	8,926
	Original Projected	7,571	7,944	8,294	8,983
Total Counts		34,451	35,249	36,295	36,379
Total Original Projected		33,833	34,541	35,091	36,666

Claim & Expense Details - All Claims & Expenses

The chart below displays the total claims and expenses incurred on a per active member basis. The total claims include medical, pharmacy, behavioral health, life, and expenses.



	<u>3/31/2009</u>	<u>6/30/2009</u>	<u>9/30/2009</u>	<u>12/31/2009</u>	<u>Prior 12 Months</u>	<u>3/31/2010</u>	<u>6/30/2010</u>	<u>9/30/2010</u>	<u>12/31/2010</u>	<u>Last 12 Months</u>
Total Incurred (In Millions \$)										
Total Claims & Expenses	\$ 52.9	\$ 54.1	\$ 55.2	\$ 55.2	\$ 164.5	\$ 59.1	\$ 60.0	\$ 57.8	\$ 62.4	\$ 239.3
- Change	\$ (1.7)	\$ 1.2	\$ 1.0	\$ 0.1	\$ 1.4	\$ 3.8	\$ 1.0	\$ (2.2)	\$ 4.6	\$ 74.8
Projected	\$ 63.2	\$ 63.2	\$ 63.2	\$ 63.2	\$ 189.6	\$ 60.6	\$ 60.6	\$ 60.6	\$ 60.6	\$ 242.3
- Change	\$ 4.1	\$ -	\$ -	\$ -	\$ 12.2	\$ (2.6)	\$ -	\$ -	\$ -	\$ 52.7
Actual vs. Projected	\$ (10.3)	\$ (9.1)	\$ (8.0)	\$ (8.0)	\$ (25.0)	\$ (1.5)	\$ (0.5)	\$ (2.8)	\$ 1.9	\$ (2.9)

Per Enrolled Basis										
Total Claims & Expenses	\$ 503.59	\$ 513.06	\$ 520.33	\$ 518.85	\$ 517.42	\$ 542.33	\$ 551.21	\$ 531.04	\$ 573.46	\$ 549.51
% Change	(4.8%)	1.9%	1.4%	4.5%	(1.6%)	4.8%	1.6%	(3.7%)	8.0%	6.2%
Projected	\$ 609.78	\$ 609.78	\$ 609.78	\$ 609.78	\$ 609.78	\$ 575.36	\$ 575.36	\$ 575.36	\$ 575.36	\$ 575.36
% Change	4.7%	0.0%	0.0%	(5.6%)	4.7%	(5.6%)	0.0%	0.0%	0.0%	(5.6%)

Claim & Expense Details - Incurred Claims by Vendor

		3/31/2009	6/30/2009	9/30/2009	12/31/2009	Prior 12 Months	3/31/2010	6/30/2010	9/30/2010	12/31/2010	Last 12 Months
TOTAL (\$000s)	Actual Incurred Claims	\$ 52,890	\$ 54,126	\$ 55,162	\$ 55,232	\$ 164,521	\$ 59,057	\$ 60,040	\$ 57,803	\$ 62,431	\$ 239,330
	Projected	63,187	63,187	63,187	63,187	189,562	60,570	60,570	60,570	60,570	242,278
	Actual vs. Projected	(10,297)	(9,061)	(8,025)	(7,955)	(25,041)	(1,513)	(530)	(2,767)	1,861	(2,948)
Health Advantage	Actual Incurred Claims	\$ 26,031	\$ 26,735	\$ 26,943	\$ 27,599	\$ 81,277	\$ 29,245	\$ 30,163	\$ 30,945	\$ 31,640	\$ 121,993
	Projected	29,825	29,825	29,825	29,825	89,475	30,969	30,969	30,969	30,969	123,875
	Actual vs. Projected	(3,794)	(3,090)	(2,882)	(2,226)	(8,198)	(1,724)	(806)	(24)	671	(1,882)
NovaSys	Actual Incurred Claims	\$ 1,835	\$ 1,962	\$ 2,386	\$ 1,596	\$ 5,944	\$ 2,042	\$ 2,179	\$ 1,941	\$ 1,962	\$ 8,125
	Projected	5,130	5,130	5,130	5,130	15,390	1,544	1,544	1,544	1,544	6,176
	Actual vs. Projected	(3,295)	(3,168)	(2,744)	(3,534)	(9,446)	498	635	397	418	1,949
NovaSys HD PPO	Actual Incurred Claims	\$ 164	\$ 441	\$ 347	\$ 533	\$ 1,321	\$ 219	\$ 327	\$ 589	\$ 605	\$ 1,739
	Projected	683	683	683	683	2,048	832	832	832	832	3,329
	Actual vs. Projected	(519)	(242)	(336)	(150)	(727)	(613)	(505)	(243)	(227)	(1,590)
ARHealth (Retirees)	Actual Incurred Claims	\$ 6,984	\$ 6,357	\$ 6,719	\$ 6,447	\$ 19,522	\$ 8,071	\$ 7,375	\$ 7,154	\$ 7,609	\$ 30,210
	Projected	6,528	6,528	6,528	6,528	19,584	7,294	7,294	7,294	7,294	29,178
	Actual vs. Projected	456	(171)	191	(81)	(62)	777	81	(140)	315	1,032
Behavioral Health	Actual Incurred Claims	\$ 831	\$ 835	\$ 839	\$ 839	\$ 2,514	\$ 853	\$ 854	\$ 569	\$ 1,134	\$ 3,410
	Projected	643	643	643	643	1,930	763	763	763	763	3,052
	Actual vs. Projected	188	192	196	196	584	90	91	(194)	371	358
Pharmacy	Actual Incurred Claims	\$ 13,590	\$ 14,002	\$ 14,191	\$ 14,343	\$ 42,536	\$ 15,064	\$ 15,219	\$ 12,889	\$ 15,684	\$ 58,856
	Projected	16,035	16,035	16,035	16,035	48,105	15,014	15,014	15,014	15,014	60,055
	Actual vs. Projected	(2,445)	(2,033)	(1,844)	(1,692)	(5,569)	50	205	(2,125)	670	(1,199)
Life	Actual Incurred Claims	\$ 233	\$ 236	\$ 238	\$ 237	\$ 711	\$ 239	\$ 239	\$ 238	\$ 260	\$ 975
	Projected	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	Actual vs. Projected	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Expenses	Actual Incurred Claims	\$ 3,223	\$ 3,557	\$ 3,500	\$ 3,638	\$ 10,695	\$ 3,324	\$ 3,684	\$ 3,478	\$ 3,537	\$ 14,022
	Projected	4,343	4,343	4,343	4,343	13,030	4,153	4,153	4,153	4,153	16,613
	Actual vs. Projected	(1,120)	(786)	(843)	(705)	(2,335)	(829)	(469)	(675)	(616)	(2,591)

Claim & Expense Details - Trend Report

		3/31/2009	6/30/2009	9/30/2009	12/31/2009	Prior 12 Months	3/31/2010	6/30/2010	9/30/2010	12/31/2010	Last 12 Months
TOTAL	Actual PEPM	\$ 503.59	\$ 513.06	\$ 520.33	\$ 518.85	\$ 513.99	\$ 542.33	\$ 551.21	\$ 531.04	\$ 573.46	\$ 549.51
	% Change	(4.8%)	1.9%	1.4%	(0.3%)	(1.8%)	4.5%	1.6%	(3.7%)	8.0%	6.9%
	Projected PEPM	\$ 609.78	\$ 609.78	\$ 609.78	\$ 609.78	\$ 609.78	\$ 575.36	\$ 575.36	\$ 575.36	\$ 575.36	\$ 575.36
	% Change	4.7%	0.0%	0.0%	0.0%	4.7%	(5.6%)	0.0%	0.0%	0.0%	(5.6%)
Health Advantage	Actual PEPM	\$ 352.40	\$ 360.47	\$ 362.27	\$ 369.96	\$ 361.30	\$ 380.73	\$ 393.93	\$ 407.07	\$ 418.25	\$ 399.91
	% Change	(6.7%)	2.3%	0.5%	2.1%	(5.7%)	2.9%	3.5%	3.3%	2.7%	10.7%
	Projected PEPM	\$ 444.74	\$ 444.74	\$ 444.74	\$ 444.74	\$ 444.74	\$ 418.80	\$ 418.80	\$ 418.80	\$ 418.80	\$ 418.80
	% Change	(0.1%)	0.0%	0.0%	0.0%	(0.1%)	(5.8%)	0.0%	0.0%	0.0%	(5.8%)
NovaSys	Actual PEPM	\$ 453.48	\$ 503.41	\$ 632.16	\$ 430.73	\$ 504.36	\$ 554.00	\$ 592.98	\$ 524.89	\$ 538.07	\$ 552.47
	% Change	11.0%	11.0%	25.6%	(31.9%)	17.1%	28.6%	7.0%	(11.5%)	2.5%	9.5%
	Projected PEPM	\$ 471.98	\$ 471.98	\$ 471.98	\$ 471.98	\$ 471.98	\$ 386.69	\$ 386.69	\$ 386.69	\$ 386.69	\$ 386.69
	% Change	11.3%	0.0%	0.0%	0.0%	0.0%	(18.1%)	0.0%	0.0%	0.0%	(18.1%)
NovaSys HD PPO	Actual PEPM	\$ 67.33	\$ 175.07	\$ 133.98	\$ 201.24	\$ 145.72	\$ 80.59	\$ 117.41	\$ 207.48	\$ 209.89	\$ 155.07
	% Change	(42.1%)	160.0%	(23.5%)	50.2%	(21.9%)	(60.0%)	45.7%	76.7%	1.2%	6.4%
	Projected PEPM	\$ 367.02	\$ 367.02	\$ 367.02	\$ 367.02	\$ 367.02	\$ 339.55	\$ 339.55	\$ 339.55	\$ 339.55	\$ 339.55
	% Change	2.2%	0.0%	0.0%	0.0%	2.2%	(7.5%)	0.0%	0.0%	0.0%	(7.5%)
ARHealth (Retirees)	Actual PEPM	\$ 282.99	\$ 255.16	\$ 265.80	\$ 252.84	\$ 264.09	\$ 314.27	\$ 284.79	\$ 272.12	\$ 285.07	\$ 288.92
	% Change	5.9%	(9.8%)	4.2%	(4.9%)	(2.7%)	24.3%	(9.4%)	(4.4%)	4.8%	9.4%
	Projected PEPM	\$ 273.92	\$ 273.92	\$ 273.92	\$ 273.92	\$ 273.92	\$ 293.16	\$ 293.16	\$ 293.16	\$ 293.16	\$ 293.16
	% Change	6.6%	0.0%	0.0%	0.0%	6.6%	7.0%	0.0%	0.0%	0.0%	7.0%
Behavioral Health	Actual PEPM	\$ 9.67	\$ 9.70	\$ 9.71	\$ 9.69	\$ 9.69	\$ 9.61	\$ 9.63	\$ 6.43	\$ 12.86	\$ 9.63
	% Change	(1.0%)	0.3%	0.1%	(0.2%)	(1.3%)	(0.8%)	0.2%	(33.2%)	100.0%	(0.6%)
	Projected PEPM	\$ 7.56	\$ 7.56	\$ 7.56	\$ 7.56	\$ 7.56	\$ 8.88	\$ 8.88	\$ 8.88	\$ 8.88	\$ 8.88
	% Change	(18.2%)	0.0%	0.0%	0.0%	(18.2%)	17.5%	0.0%	0.0%	0.0%	17.5%
Pharmacy	Actual PEPM	\$ 129.40	\$ 132.73	\$ 133.86	\$ 134.74	\$ 132.69	\$ 138.34	\$ 139.73	\$ 118.41	\$ 144.06	\$ 135.14
	% Change	1.6%	2.6%	0.9%	0.7%	6.6%	2.7%	1.0%	(15.3%)	21.7%	1.8%
	Projected PEPM	\$ 154.74	\$ 154.74	\$ 154.74	\$ 154.74	\$ 154.74	\$ 142.62	\$ 142.62	\$ 142.62	\$ 142.62	\$ 142.62
	% Change	16.0%	0.0%	0.0%	0.0%	16.0%	(7.8%)	0.0%	0.0%	0.0%	(7.8%)
Life	Actual PEPM	\$ 2.90	\$ 2.93	\$ 2.94	\$ 2.93	\$ 2.93	\$ 2.87	\$ 2.87	\$ 2.88	\$ 3.17	\$ 2.95
	% Change	(1.0%)	1.0%	0.3%	(0.3%)	(1.0%)	(2.0%)	0.0%	0.3%	10.1%	0.7%
	Projected PEPM	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	% Change	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Expenses	Actual PEPM	\$ 30.69	\$ 33.72	\$ 33.01	\$ 34.17	\$ 32.90	\$ 30.52	\$ 33.82	\$ 31.95	\$ 32.49	\$ 32.19
	% Change	(26.8%)	9.9%	(2.1%)	3.5%	(1.9%)	(10.7%)	10.8%	(5.5%)	1.7%	(2.2%)
	Projected PEPM	\$ 41.91	\$ 41.91	\$ 41.91	\$ 41.91	\$ 41.91	\$ 39.45	\$ 39.45	\$ 39.45	\$ 39.45	\$ 39.45
	% Change	2.3%	0.0%	0.0%	0.0%	2.3%	(5.9%)	0.0%	0.0%	0.0%	(5.9%)

Appendix A. - Contribution Rates Calendar Year 2011

Actives	Medical and Pharmacy	Expenses	Corp Health	Total Monthly Premium	State Contributions	Reserve Allocation	2011 EE Total Cost	2010 EE Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment
Health Advantage										
Employee Only	\$359.09	\$36.47	\$6.00	\$401.56	\$305.78	\$0.00	\$95.78	\$95.78	\$0.00 0%	14,614
Employee & Spouse	912.33	36.47	12.00	960.80	593.06	0.00	367.74	367.74	0.00 0%	3,563
Employee & Child(ren)	556.69	36.47	9.60	602.76	409.12	0.00	193.64	193.64	0.00 0%	4,217
Family	1,011.13	36.47	19.80	1,067.40	647.78	0.00	419.62	419.62	0.00 0%	3,134
Est. Monthly Total (\$ mil)	\$14.0	\$0.9	\$0.2	\$15.2	\$10.3	\$0.0	\$4.8	\$4.8	\$0.0	25,528
NovaSys										
Employee Only	\$399.13	\$22.84	\$6.00	\$427.97	\$305.78	\$0.00	\$122.19	\$96.36	\$25.83 27%	756
Employee & Spouse	991.81	22.84	12.00	1,026.65	593.06	0.00	433.59	369.18	64.41 17%	141
Employee & Child(ren)	610.82	22.84	9.60	643.26	409.12	0.00	234.14	194.54	39.60 20%	209
Family	1,097.65	22.84	19.80	1,140.29	647.78	0.00	492.50	421.22	71.28 17%	121
Est. Monthly Total (\$ mil)	\$0.7	\$0.0	\$0.0	\$0.7	\$0.5	\$0.0	\$0.3	\$0.2	\$0.0	1,227
NovaSys HD PPO										
Employee Only	\$284.10	\$22.84	\$6.00	\$312.94	\$305.78	\$0.00	\$7.16	\$20.60	(\$13.44) -65%	578
Employee & Spouse	712.24	22.84	12.00	747.08	593.06	0.00	154.02	187.34	(33.32) -18%	127
Employee & Child(ren)	437.01	22.84	9.60	469.45	409.12	0.00	60.33	80.86	(20.53) -25%	103
Family	788.69	22.84	19.80	831.33	647.78	0.00	183.54	220.42	(36.88) -17%	120
Est. Monthly Total (\$ mil)	\$0.4	\$0.0	\$0.0	\$0.4	\$0.4	\$0.0	\$0.1	\$0.1	(\$0.0)	928
Total (Monthly) (\$ mil)	\$15.1	\$1.0	\$0.3	\$16.3	\$11.2	\$0.0	\$5.2	\$5.1	\$0.0	27,683
Est Annual Total (\$ mil)	\$181.3	\$11.8	\$3.0	\$196.1	\$134.3	\$0.0	\$61.9	\$61.5	\$0.3	

Retirees	Medical and Pharmacy	Expenses	Corp Health	Total Monthly Premium	State Contributions	Reserve Allocation	2011 Ret. Total Cost	2010 Ret. Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment
Non-Medicare Eligible										
Retiree Only	\$359.09	\$36.47	\$6.00	\$401.56	\$165.82	\$0.00	\$235.74	\$235.74	\$0.00 0%	1,360
Retiree & NME SP	912.33	36.47	12.00	960.80	384.92	0.00	575.88	575.88	0.00 0%	488
Retiree & Child(ren)	556.69	36.47	9.60	602.76	162.92	0.00	439.84	439.84	0.00 0%	57
Retiree & NME SP&CH	1,011.13	36.47	19.80	1,067.40	150.68	0.00	916.72	916.72	0.00 0%	33
Retiree & ME SP	696.35	36.47	6.00	738.82	337.28	0.00	401.54	401.54	0.00 0%	-
Retiree & ME SP & CH	893.94	36.47	9.60	940.01	333.24	0.00	606.77	606.77	0.00 0%	-
Est. Monthly Total (\$ mil)	\$1.0	\$0.1	\$0.0	\$1.1	\$0.4	\$0.0	\$0.7	\$0.7	\$0.0	1,938
Medicare Eligible										
Retiree Only	\$332.33	\$15.41	Not Offered	\$347.74	\$230.62	\$0.00	\$117.12	\$117.12	\$0.00 0%	4,641
Retiree & NME SP	696.35	15.41	Not Offered	711.76	265.04	0.00	446.72	446.72	0.00 0%	533
Retiree & Child(ren)	529.93	15.41	Not Offered	545.34	230.48	0.00	314.86	314.86	0.00 0%	44
Retiree & NME SP&CH	893.94	15.41	Not Offered	909.35	264.87	0.00	644.48	644.48	0.00 0%	27
Retiree & ME SP	664.67	15.41	Not Offered	680.08	401.59	0.00	278.49	278.49	0.00 0%	1,785
Retiree & ME SP & CH	862.27	15.41	Not Offered	877.68	401.44	0.00	476.24	476.24	0.00 0%	16
Est. Monthly Total (\$ mil)	\$3.2	\$0.1	\$0.0	\$3.3	\$2.0	\$0.0	\$1.3	\$1.3	\$0.0	7,045
Total (Est. Monthly)	\$4.2	\$0.2	\$0.0	\$4.4	\$2.4	\$0.0	\$2.0	\$2.0	\$0.0	8,983
Total (Est. Annual)	\$49.9	\$2.2	\$0.2	\$52.2	\$28.6	\$0.0	\$23.7	\$23.7	\$0.0	

Appendix B. - Enrollment Details

Average for Year Ending		12/31/2008	12/31/2009	12/31/2010	Updated Projections 12/31/2011
Health Advantage Actives	Single	12,466	14,128	14,538	14,414
	Employee/Spouse	3,448	3,635	3,538	3,450
	Employee/Child(ren)	3,420	3,923	4,217	4,294
	Family	2,924	3,064	3,128	3,108
	Total	22,257	24,751	25,421	25,266
Member Counts		39,325	43,213	44,570	44,478
NovaSys Actives	Single	2,036	816	756	738
	Employee/Spouse	432	140	139	134
	Employee/Child(ren)	664	216	210	212
	Family	444	114	122	127
	Total	3,575	1,285	1,226	1,211
Member Counts		6,336	2,094	2,043	2,049
NovaSys HD PPO Actives	Single	405	538	582	606
	Employee/Spouse	65	101	125	123
	Employee/Child(ren)	75	98	106	113
	Family	91	112	122	134
	Total	636	849	935	976
Member Counts		1,083	1,422	1,571	1,651
Pharmacy/Total Actives	Single	14,907	15,482	15,875	15,758
	Employee/Spouse	3,944	3,876	3,802	3,707
	Employee/Child(ren)	4,158	4,237	4,533	4,619
	Family	3,459	3,290	3,372	3,369
	Total	26,468	26,885	27,581	27,453
Member Counts		46,745	46,729	48,185	48,178
Retirees Not Medicare Eligible (NME)	Retiree Only	1,223	1,242	1,297	1,403
	Retiree + NME Spouse	445	466	471	500
	Retiree + Child(ren)	60	69	57	59
	Retiree + NME Spouse + Child(ren)	35	43	34	34
	Retiree + ME Spouse	3	3	1	-
	Retiree + ME Spouse + Child(ren)	-	-	-	-
	Total	1,766	1,823	1,860	1,996
NME Member Counts		2,992	3,114	3,135	3,339
Retirees Medicare Eligible (ME)	Retiree Only	3,986	4,159	4,379	4,569
	Retiree + NME Spouse	478	488	513	526
	Retiree + Child(ren)	45	42	42	48
	Retiree + NME Spouse + Child(ren)	25	26	25	31
	Retiree + ME Spouse	1,506	1,613	1,686	1,739
	Retiree + ME Spouse + Child(ren)	13	12	13	17
	Total	6,053	6,340	6,658	6,930
ME Member Counts		7,575	7,968	8,358	8,686

Appendix C. - Summary of Plan or Policy Changes

<u>Date</u>	<u>Major Change</u>
For 2011 Plan Year	<p>Lifetime Max for Out-of-Network (OON) changed to match the In Network's (INN) Unlimited Lifetime Maximum</p> <p>Immunizations covered at 100% for OON coverage</p> <p>Some services under behavioral health now do not require pre-authorization</p> <p>Intensive Out-Patient Services under behavioral health now require 20% member coinsurance</p> <p>\$10,000 Benefit Maximum Removed for Durable Medical Equipment / Enteral Feeding</p> <p>Hearing/Vision Screening copayment changed to \$35 OON (ARHealth), and \$35 INN & OON (ARHealth HD)</p> <p>Active and non-Medicare retiree experience was blended in determining the rates</p> <p>Increased credibility was given to the High Deductible Plan in determining the rates</p> <p>Child covered until age 26</p>
For 2010 Plan Year	<p>Hearing Aids benefit added</p> <p>Hearing and Vision exams are now covered as wellness benefits</p>
For 2009 Plan Year	<p><u>AR Health Plan (including Retirees)</u></p> <p>Coinsurance percentage for In-Network services will increase from 10% to 20%</p> <p>Annual Coinsurance Limit will increase from \$1,000 to \$1,500 for employee only and from \$2,000 to \$3,000 for the other coverage tiers</p> <p><u>ARHealth HD PPO Plan</u></p> <p>Deductible will increase from \$1,250 to \$1,500 for employee only and from \$2,500 to \$3,000 for the other coverage tiers</p>
For 2008 Plan Year	<p>ARHealth Plan and ARHealth HD PPO replace the previous PPO, HMO, and POS plan options for Actives</p> <p>ARHealth offered through Health Advantage and NovaSys Health</p> <p>ARHealth HD PPO offered only through NovaSys</p> <p>Blue Cross & Blue Shield and QualChoice are no longer benefit coordinators for these plans</p> <p>Minnesota Life replaces USABLE Life as Life Insurance vendor (ASE and Retirees only)</p> <p>New Utilization and Case Management Services are provided by AHH, Inc.</p> <p>Copayments for Office visits increased to \$25 (PCP) and \$35 (SPC)</p> <p>Preferred (Tier II) Prescription Copayments were increased to \$30 and the Non-Preferred (Tier III) Prescription Copayments were increased to \$60</p> <p>Annual Family Coinsurance limit increased to \$2,000</p> <p>Out-Patient Radiology Services has a \$250 copayment along with a 10% coinsurance</p> <p>Coinsurance increased to 10% for many In-Network services and to 40% for most Out-of-Network services</p> <p>Preventative services for dental and vision are no longer covered</p>

Appendix D. - Provider Contract Summary

Service Providers	Cost		Effective Dates
Benefit and Claims Coordination (Actives)	<u>ARHealth</u>	<u>ARHealth HD PPO</u>	
- Health Advantage	\$27.13	n/a	Per Employee Per Month
- NovaSys Health	\$13.90	\$13.90	Per Employee Per Month
			For Calendar Year 2010 unless noted
Benefit and Claims Coordination (Retirees) - Health Advantage			
- Medicare	\$15.41	n/a	Per Employee Per Month
- Non-Medicare and COBRA	\$20.74	n/a	Per Employee Per Month
Prescription Drugs Claims Administration		<u>All Plans</u>	
- informedRx (formerly NMHC)		\$0.65	Per Retail Script
- informedRx Mail		\$1.25	Per Direct Script
- Integrail		\$0.99	Per Employee Per Month
Medical Appeals - UAMS			
- Physician Appeals		\$150.00	Per Physician Appeal
Pharmacy Prior Authorization and Appeals - EBRx			
- Prior Authorization		\$18.00	Per Authorization
- Physician Appeals		\$150.00	Per Physician Appeal
			Effective 7/1/2010
Medical Utilization Review - American Health Holding, Inc.		\$0.85	Per Member Per Month
Case Management - Arkansas Blue Cross Blue Shield		\$0.97	Per Member Per Month
			Effective 4/1/2010
Life Insurance - Minnesota Life			
- \$10,000 up to age 64		\$2.50	Per Employee Per Month
- \$5,000 age 65 to 69		\$1.25	Per Employee Per Month
- \$4,000 age 70 to 74		\$1.00	Per Employee Per Month
- \$4,000 age 75 & over		\$0.92	Per Employee Per Month
Behavioral / Mental Health & Substance Abuse - Corp Health			
- Managed Behavioral Health - Employee Only		\$3.00	Per Employee Per Month
- Managed Behavioral Health - Employee & Spouse		\$9.00	Per Employee Per Month
- Managed Behavioral Health - Employee & Child		\$6.60	Per Employee Per Month
- Managed Behavioral Health - Employee & Family		\$16.80	Per Employee Per Month
- Employee Assistance Program		\$3.00	Per Employee Per Month
- Tobacco Cessation Program		\$0.36	Per Employee Per Month
- Weight Management Program		\$0.27	Per Employee Per Month
Health Savings Account (HSA) Administrator - DataPath Admin. Services			
- Enrollment Fee (Electronic)		\$15.00	Per Enrollment
- Enrollment Fee (Paper)		\$25.00	Per Enrollment
- Monthly Fee		\$4.00	Per Enrolled Employee Per Month

Appendix E. - Reserve Details

(In Millions \$)	12/31/2008	12/31/2009	12/31/2010	Updated Proj. 12/31/2011
Net Assets (Prior To IBNR)	\$ 56.2	\$ 81.0	\$ 108.2	\$ 106.5
Incurred But Not Recorded Claims	\$ (21.5)	\$ (21.5)	\$ (24.3)	\$ (24.4)
Net Assets After IBNR	\$ 34.7	\$ 59.5	\$ 84.0	\$ 82.1
ALLOCATED RESERVES				
2007 State Match for 2008 Premiums	\$ -	\$ -	\$ -	\$ -
Active Premiums for Plan Year	\$ (6.5)	\$ -	\$ -	\$ -
Retiree Premiums for Plan Year	\$ (1.4)	\$ -	\$ -	\$ -
Retiree Premiums for Next Plan Year	\$ -	\$ -	\$ -	\$ -
Catastrophic Reserve	\$ (7.9)	\$ (7.9)	\$ (8.1)	\$ (8.1)
2008 Pharmacy Reward Program	\$ -	\$ (1.5)	\$ (1.5)	\$ (1.5)
Total Allocated Reserves	\$ (15.8)	\$ (9.4)	\$ (9.6)	\$ (9.6)
Net Assets Available	\$ 18.9	\$ 50.1	\$ 74.4	\$ 72.5

Note: Actual Reserves are those certified by Cheiron in July 2010. Original and updated Reserve projections are based on expected changes in incurred and paid claims. Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements.

Appendix F. - Definitions & Methods

Definitions:

Actual:	Results based on actual paid and incurred claims experience. Actual incurred reflects an updated estimate of incurred but not recorded (IBNR) claims.
Projected:	Projections produced for use in setting annual rates. For 2010 and prior these were produced by Milliman. Details on the assumptions & methods used for Cheiron's 2011 projections presented in July 2010 can be found in our August 27, 2010 letter to Jason Lee.
Original Projections:	Same as projected
Updated Projections:	Original projections produced in July 2010 by Cheiron for 2011 rates, adjusted for actual asset experience and enrollment changes through December 2010.

Methods:

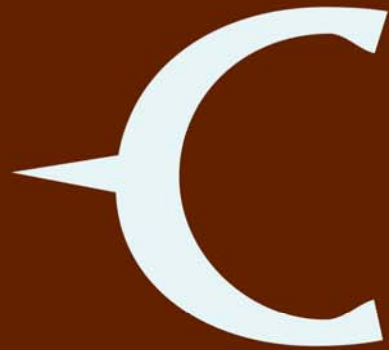
Updated Projections:	Claims, Expenses and Participant Income were adjusted for changes in headcounts only, assuming stable population after December 2010. <i>Note that the updated projections presented in this report do NOT reflect updated claims experience.</i>
Incurred Claims:	Based on service dates and process dates through December 31, 2010. A blend of methods based on actuarial judgment was used to estimate the incurred claims by month.
IBNR (Incurred But Not Recorded) Claim Reserves:	Actual Reserves are those certified by Cheiron in July 2010. Original and updated Reserve projections are based on expected changes in incurred and paid claims. <i>Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements.</i>

Qualification Statements:

Reliance Statement: In preparing our report, we relied without audit, on information (some oral and some written) supplied by the Employee Benefits Division and the Plan's vendors. This information includes, but is not limited to, the Plan provisions, employee data, and financial information.

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

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



**Arkansas
Public School Employees (PSE)**

**Monitoring Report
through December 31, 2010**

**Presented on
March 4, 2011**

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Comments

- Plan Year 2010 resulted in a gain on an incurred basis, despite a projected loss of nearly \$11 million.
- Participation has increased in the Plan, with most of the increase coming in the HD PPO.
- The increase in overall Plan costs per enrolled averaged approximately 4% for the past year.
- Unless experience improves, the Plan will likely not have much additional reserve money to offset rate increases for 2012.

Total Plan Experience

Principal Results (\$ millions)	Plan Year 2010 - 10/01/09 - 9/30/10 -		Plan Year 2011 - 10/01/10 - 12/31/11 -	
	ACCOUNTING BASIS	Actual	Projected ¹	Updated Proj. ²
Employer Contributions	\$ 118.7	\$ 120.3	\$ 153.9	\$ 151.4
Participant Contributions & Rebates ⁴	\$ 148.7	\$ 141.3	\$ 190.5	\$ 190.7
Other Income	\$ -	\$ -	\$ -	\$ -
TOTAL INCOME	\$ 267.3	\$ 261.6	\$ 344.3	\$ 342.1
Claims Paid + IBNR Change	\$ (249.1)	\$ (248.0)	\$ (331.1)	\$ (327.5)
Expenses	\$ (19.7)	\$ (24.9)	\$ (26.8)	\$ (26.2)
TOTAL EXPENDITURES	\$ (268.8)	\$ (272.9)	\$ (357.9)	\$ (353.7)
NET PLAN GAIN / (LOSS)	\$ (1.5)	\$ (11.3)	\$ (13.6)	\$ (11.6)
INCURRED BASIS				
TOTAL INCOME	\$ 267.3	\$ 261.6	\$ 344.3	\$ 342.1
Claims Incurred	\$ (245.2)	\$ (248.0)	\$ (336.1)	\$ (328.9)
Expenses	\$ (19.7)	\$ (24.9)	\$ (26.8)	\$ (26.2)
TOTAL EXPENDITURES INCURRED	\$ (264.9)	\$ (272.9)	\$ (362.9)	\$ (355.1)
NET CHANGE	\$ 2.5	\$ (11.3)	\$ (18.6)	\$ (13.0)
PLAN ASSETS				
Net Assets (Prior to IBNR)	\$ 68.8	#N/A	\$ 55.2	\$ 65.2
IBNR Reserve	\$ (27.8)	#N/A	\$ (27.8)	\$ (27.5)
Other Allocated Reserves	\$ (35.8)	#N/A	\$ (22.0)	\$ (22.0)
NET ASSETS AVAILABLE	\$ 5.2	#N/A	\$ 5.3	\$ 15.7
ENROLLMENT				
Active Employees (includes COBRA)	44,642	43,652	46,326	44,851
Retirees	7,352	6,726	7,698	7,367
TOTAL ENROLLED	51,994	50,378	54,023	52,218
TOTAL INCOME PEPM	\$ 428	\$ 433	\$ 425	\$ 437
TOTAL EXPENDITURES PEPM	\$ (424)	\$ (451)	\$ (448)	\$ (453)

¹ All projections prior to September 30, 2010 that are shown in this Report were produced by Milliman.

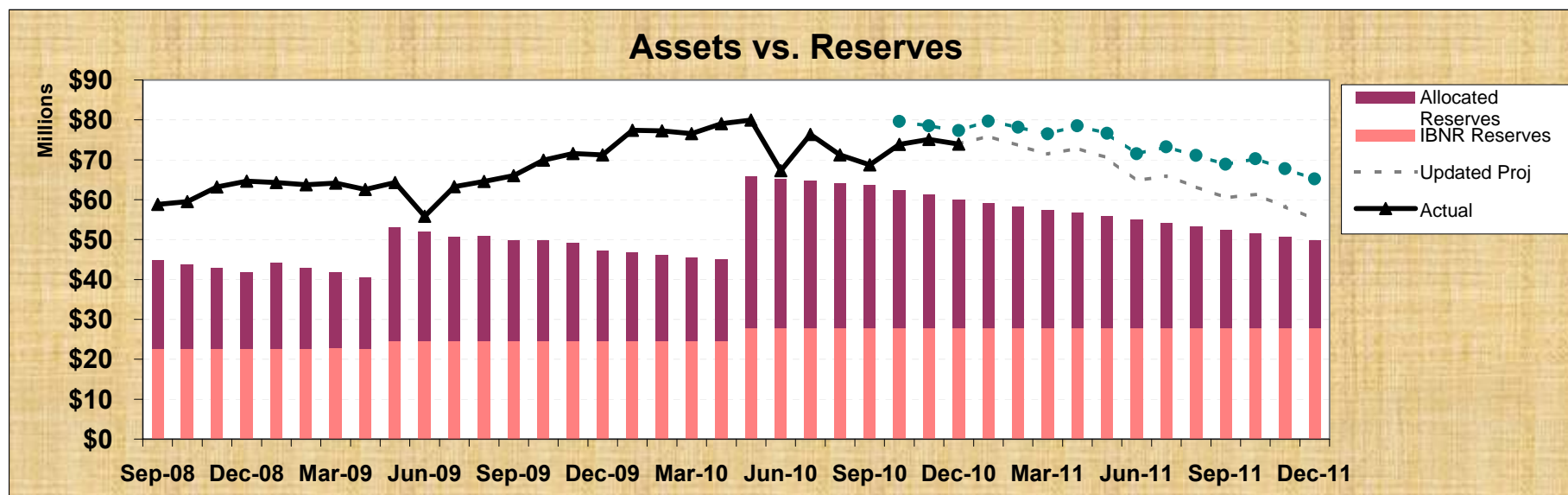
² Updated Projections are the original projections done in setting the rates updated for current participant counts.

³ Original Projections are the projections done in setting the rates.

⁴ Actual figures include pharmacy rebates. Pharmacy rebates are not included in any of the projections.

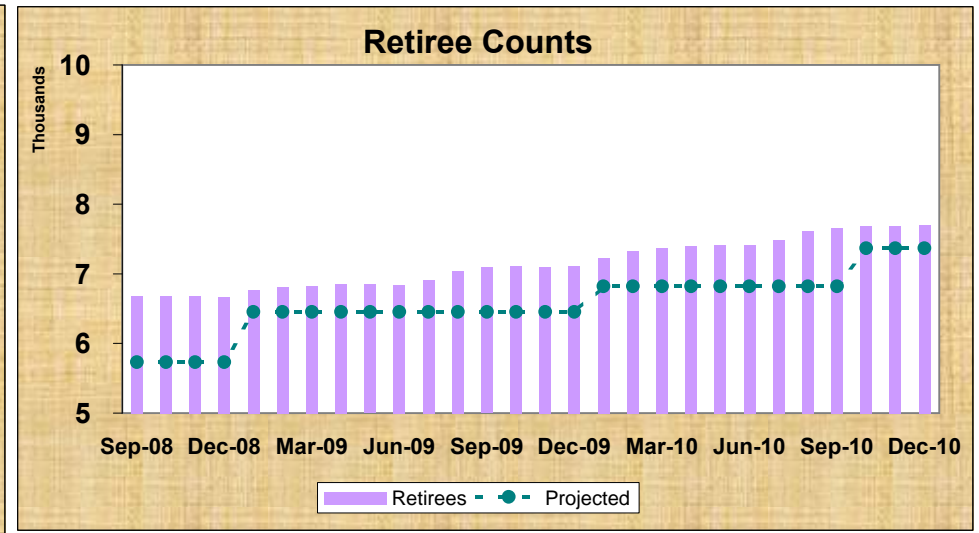
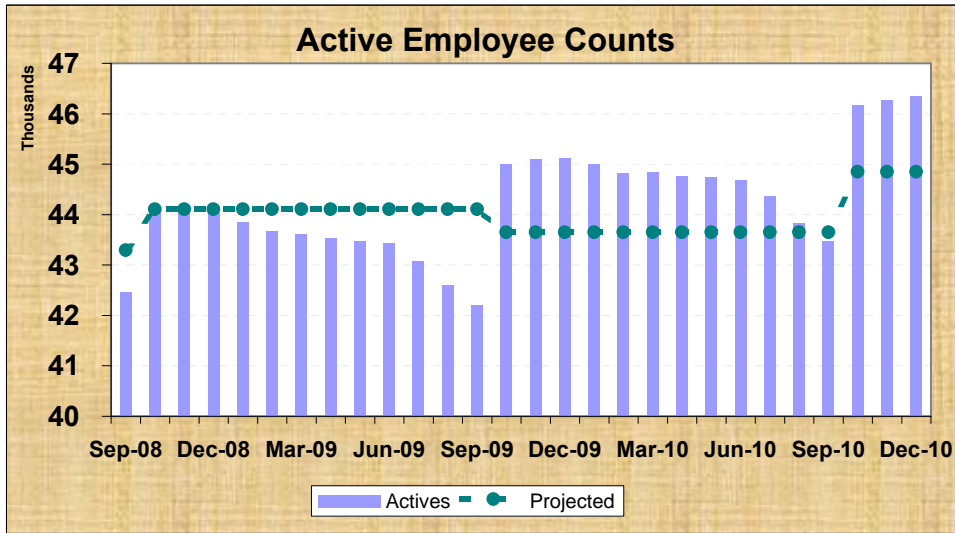
Total Plan Experience

The chart below shows the Trust's assets compared to projected assets and target reserve levels. Projected assets and net income represent the projections used to set the rates. The updated projections shown reflect asset experience and participant changes since those rates were set; however, they do not reflect any changes to claims experience.



(In Millions \$)	As of	9/30/2008	9/30/2009	9/30/2010	Updated Projection 12/31/2011
Net Assets before IBNR	\$	58.8	\$ 66.1	\$ 68.8	\$ 55.2
IBNR Reserve		(22.8)	(24.5)	(27.8)	(27.8)
Allocated Reserves*		(22.1)	(25.2)	(35.8)	(22.0)
Net Assets Available	\$	14.0	\$ 16.4	\$ 5.2	\$ 5.3
Projected Assets		#N/A	#N/A	#N/A	\$ 65.2
Projected IBNR Reserve		#N/A	#N/A	#N/A	(27.5)
Projected Allocated Reserve		#N/A	#N/A	#N/A	(22.0)
Projected Net Assets		#N/A	#N/A	#N/A	\$ 15.7
	Plan Year Ending	9/30/2008	9/30/2009	9/30/2010	12/31/2011
Funding	\$	245.2	\$ 260.9	\$ 267.3	\$ 344.3
Expenses		240.7	254.0	268.8	357.9
Net Income / (Loss)	\$	4.5	\$ 8.7	\$ 1.9	\$ (13.6)
Projected Net Income / (Loss)	\$	(13.5)	\$ (10.9)	\$ (2.0)	\$ (11.6)

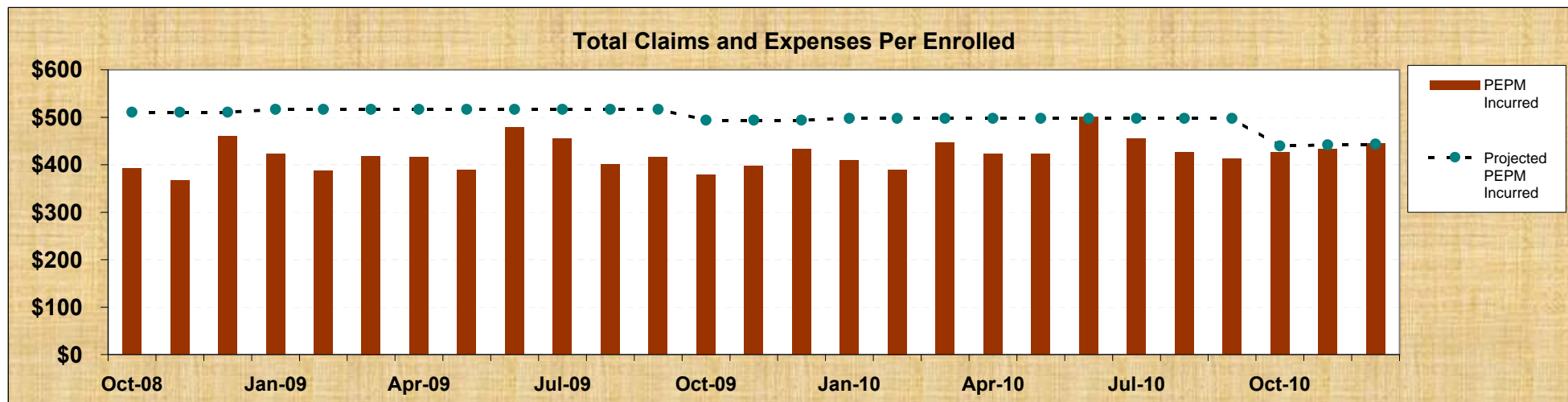
Enrollment



Average for Year Ending		9/30/2008	9/30/2009	9/30/2010	Updated Projection 12/31/2011
Actives (includes COBRA contracts)	Health Advantage	36,479	36,594	38,353	38,601
	NovaSys	5,530	4,864	3,764	3,039
	NovaSys HD	1,847	2,007	2,524	4,685
	Total	43,855	43,465	44,642	46,326
	Original Projected	43,295	44,106	43,652	44,851
Retirees (includes Surviving Spouses)	Non-Medicare Retirees	2,259	2,105	1,980	1,832
	Medicare Retirees	4,148	4,730	5,372	5,866
	Total	6,406	6,835	7,352	7,698
	Original Projected	6,063	6,270	6,726	7,367
Total Counts		50,261	50,300	51,994	54,023
Total Original Projected		49,358	50,376	50,378	52,218

Claim & Expense Details - All Claims & Expenses

The chart below displays the total claims and expenses incurred on a per active member basis. The total claims include medical, pharmacy, behavioral health, and expenses.



	<u>3/31/2009</u>	<u>6/30/2009</u>	<u>9/30/2009</u>	<u>12/31/2009</u>	<u>Prior 12 Months</u>	<u>3/31/2010</u>	<u>6/30/2010</u>	<u>9/30/2010</u>	<u>12/31/2010</u>	<u>Last 12 Months</u>
Total Incurred (In Millions \$)										
Total Claims & Expenses	\$ 62.0	\$ 64.6	\$ 63.1	\$ 63.1	\$ 252.8	\$ 64.9	\$ 70.2	\$ 66.6	\$ 70.3	\$ 272.1
- Change	\$ 0.2	\$ 2.6	\$ (1.5)	\$ 0.0	\$ 65.0	\$ 1.8	\$ 5.3	\$ (3.7)	\$ 3.8	\$ 19.2
Projected	\$ 71.8	\$ 71.8	\$ 71.8	\$ 68.0	\$ 283.5	\$ 68.3	\$ 68.3	\$ 68.3	\$ 69.2	\$ 274.1
- Change	\$ 0.9	\$ -	\$ -	\$ (3.8)	\$ 77.1	\$ 0.2	\$ -	\$ -	\$ 0.9	\$ (9.5)
Actual vs. Projected	\$ (9.8)	\$ (7.2)	\$ (8.7)	\$ (4.9)	\$ (30.7)	\$ (3.4)	\$ 1.9	\$ (1.7)	\$ 1.1	\$ (2.0)

Per Enrolled Basis										
Total Claims & Expenses	\$ 409.28	\$ 427.78	\$ 423.77	\$ 403.35	\$ 415.90	\$ 414.66	\$ 448.95	\$ 431.12	\$ 434.59	\$ 432.35
% Change	0.7%	4.5%	(0.9%)	2.8%	0.1%	(0.3%)	8.3%	(4.0%)	0.8%	4.0%
Projected	\$ 516.34	\$ 516.34	\$ 516.34	\$ 493.99	\$ 510.80	\$ 497.42	\$ 497.42	\$ 497.42	\$ 441.72	\$ 482.07
% Change	1.2%	0.0%	0.0%	0.7%	2.0%	(2.6%)	0.0%	0.0%	(11.2%)	(5.6%)

Claim & Expense Details - Incurred Claims by Vendor

		3/31/2009	6/30/2009	9/30/2009	12/31/2009	Prior 12 Months	3/31/2010	6/30/2010	9/30/2010	12/31/2010	Last 12 Months
TOTAL (\$000s)	Actual Incurred Claims	\$ 62,018	\$ 64,581	\$ 63,107	\$ 63,138	\$ 252,844	\$ 64,923	\$ 70,215	\$ 66,575	\$ 70,342	\$ 272,056
	Projected	71,827	71,827	71,827	68,045	283,527	68,291	68,291	68,291	69,197	274,071
	Actual vs. Projected	(9,809)	(7,246)	(8,720)	(4,907)	(30,683)	(3,368)	1,924	(1,716)	1,145	(2,015)
Health Advantage	Actual Incurred Claims	\$ 33,179	\$ 34,628	\$ 34,178	\$ 34,511	\$ 136,497	\$ 34,351	\$ 39,139	\$ 37,231	\$ 39,082	\$ 149,802
	Projected	38,264	38,264	38,264	36,132	150,925	36,132	36,132	36,132	37,986	146,383
	Actual vs. Projected	(5,085)	(3,636)	(4,086)	(1,621)	(14,428)	(1,781)	3,007	1,099	1,096	3,419
NovaSys	Actual Incurred Claims	\$ 5,446	\$ 6,110	\$ 5,141	\$ 4,753	\$ 21,450	\$ 4,806	\$ 5,367	\$ 4,675	\$ 4,096	\$ 18,944
	Projected	5,948	5,948	5,948	5,157	23,002	5,157	5,157	5,157	4,814	20,286
	Actual vs. Projected	(502)	162	(807)	(404)	(1,552)	(351)	210	(482)	(718)	(1,342)
NovaSys HD PPO	Actual Incurred Claims	\$ 871	\$ 1,179	\$ 1,687	\$ 1,316	\$ 5,053	\$ 2,036	\$ 1,845	\$ 2,675	\$ 2,310	\$ 8,867
	Projected	1,740	1,740	1,740	1,510	6,729	1,510	1,510	1,510	1,306	5,836
	Actual vs. Projected	(869)	(561)	(53)	(194)	(1,676)	526	335	1,165	1,004	3,031
ARHealth (Retirees)	Actual Incurred Claims	\$ 4,699	\$ 4,431	\$ 4,072	\$ 4,049	\$ 17,251	\$ 5,078	\$ 4,696	\$ 5,545	\$ 5,083	\$ 20,402
	Projected	5,381	5,381	5,381	5,381	21,523	5,740	5,740	5,740	4,847	22,066
	Actual vs. Projected	(682)	(950)	(1,309)	(1,332)	(4,272)	(662)	(1,044)	(195)	236	(1,664)
Behavioral Health	Actual Incurred Claims	\$ 915	\$ 909	\$ 891	\$ 937	\$ 3,651	\$ 933	\$ 930	\$ 612	\$ 1,264	\$ 3,739
	Projected	930	930	930	912	3,702	910	910	910	898	3,628
	Actual vs. Projected	(15)	(21)	(39)	25	(51)	23	20	(298)	366	111
Pharmacy	Actual Incurred Claims	\$ 12,451	\$ 12,331	\$ 12,346	\$ 12,518	\$ 49,647	\$ 13,094	\$ 13,071	\$ 11,001	\$ 13,400	\$ 50,566
	Projected	13,008	13,008	13,008	12,729	51,752	12,622	12,622	12,622	14,120	51,985
	Actual vs. Projected	(557)	(677)	(662)	(211)	(2,105)	472	449	(1,621)	(720)	(1,419)
Expenses	Actual Incurred Claims	\$ 4,457	\$ 4,992	\$ 4,792	\$ 5,054	\$ 19,295	\$ 4,626	\$ 5,167	\$ 4,835	\$ 5,108	\$ 19,737
	Projected	6,557	6,557	6,557	6,224	25,894	6,220	6,220	6,220	5,226	23,887
	Actual vs. Projected	(2,100)	(1,565)	(1,765)	(1,170)	(6,599)	(1,594)	(1,053)	(1,385)	(118)	(4,150)

Claim & Expense Details - Trend Report

		3/31/2009	6/30/2009	9/30/2009	12/31/2009	Prior 12 Months	3/31/2010	6/30/2010	9/30/2010	12/31/2010	Last 12 Months
TOTAL	Actual PEPM	\$ 409.28	\$ 427.78	\$ 423.77	\$ 403.35	\$ 415.90	\$ 414.66	\$ 448.95	\$ 431.12	\$ 434.59	\$ 432.35
	% Change	0.7%	4.5%	(0.9%)	(4.8%)	0.3%	2.8%	8.3%	(4.0%)	0.8%	4.0%
	Projected PEPM	\$ 516.34	\$ 516.34	\$ 516.34	\$ 493.99	\$ 510.80	\$ 497.42	\$ 497.42	\$ 497.42	\$ 441.72	\$ 482.07
	% Change	1.2%	0.0%	0.0%	(4.3%)	2.3%	0.7%	0.0%	0.0%	(11.2%)	(5.6%)
Health Advantage	Actual PEPM	\$ 300.61	\$ 315.18	\$ 317.24	\$ 297.02	\$ 307.31	\$ 296.94	\$ 339.53	\$ 329.22	\$ 337.76	\$ 325.83
	% Change	7.6%	4.8%	0.7%	(6.4%)	2.6%	(0.0%)	14.3%	(3.0%)	2.6%	6.0%
	Projected PEPM	\$ 347.72	\$ 347.72	\$ 347.72	\$ 327.70	\$ 342.71	\$ 327.70	\$ 327.70	\$ 327.70	\$ 328.64	\$ 327.94
	% Change	0.0%	0.0%	0.0%	(5.8%)	3.4%	0.0%	0.0%	0.0%	0.3%	(4.3%)
NovaSys	Actual PEPM	\$ 369.99	\$ 420.75	\$ 361.55	\$ 412.54	\$ 390.13	\$ 422.79	\$ 476.63	\$ 424.25	\$ 448.48	\$ 442.83
	% Change	(5.9%)	13.7%	(14.1%)	14.1%	3.3%	2.5%	12.7%	(11.0%)	5.7%	13.5%
	Projected PEPM	\$ 356.10	\$ 356.10	\$ 356.10	\$ 352.12	\$ 355.20	\$ 352.12	\$ 352.12	\$ 352.12	\$ 424.54	\$ 366.98
	% Change	0.0%	0.0%	0.0%	(1.1%)	6.7%	0.0%	0.0%	0.0%	20.6%	3.3%
NovaSys HD PPO	Actual PEPM	\$ 144.05	\$ 195.33	\$ 285.25	\$ 175.72	\$ 198.26	\$ 268.06	\$ 241.42	\$ 353.66	\$ 165.72	\$ 241.31
	% Change	7.8%	35.6%	46.0%	(38.4%)	27.7%	52.5%	(9.9%)	46.5%	(53.1%)	21.7%
	Projected PEPM	\$ 312.25	\$ 312.25	\$ 312.25	\$ 249.69	\$ 295.62	\$ 249.69	\$ 249.69	\$ 249.69	\$ 171.13	\$ 226.44
	% Change	0.0%	0.0%	0.0%	(20.0%)	(1.5%)	0.0%	0.0%	0.0%	(31.5%)	(23.4%)
ARHealth (Retirees)	Actual PEPM	\$ 230.43	\$ 215.73	\$ 193.45	\$ 189.85	\$ 207.07	\$ 231.58	\$ 211.29	\$ 243.76	\$ 220.24	\$ 226.74
	% Change	(4.4%)	(6.4%)	(10.3%)	(1.9%)	(18.0%)	22.0%	(8.8%)	15.4%	(9.6%)	9.5%
	Projected PEPM	\$ 278.07	\$ 278.07	\$ 278.07	\$ 278.07	\$ 278.07	\$ 280.61	\$ 280.61	\$ 280.61	\$ 219.32	\$ 264.38
	% Change	2.5%	0.0%	0.0%	0.0%	2.5%	0.9%	0.0%	0.0%	(21.8%)	(4.9%)
Behavioral Health	Actual PEPM	\$ 6.65	\$ 6.65	\$ 6.65	\$ 6.64	\$ 6.65	\$ 6.63	\$ 6.64	\$ 4.45	\$ 8.76	\$ 6.64
	% Change	(0.3%)	0.0%	0.0%	(0.2%)	(0.6%)	(0.2%)	0.2%	(33.0%)	96.9%	(0.2%)
	Projected PEPM	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.28	\$ 7.33	\$ 7.39	\$ 7.39	\$ 7.39	\$ 6.67	\$ 7.20
	% Change	1.7%	0.0%	0.0%	(1.0%)	0.7%	1.5%	0.0%	0.0%	(9.7%)	(1.8%)
Pharmacy	Actual PEPM	\$ 90.52	\$ 90.19	\$ 92.12	\$ 88.75	\$ 90.38	\$ 93.08	\$ 93.22	\$ 79.99	\$ 92.81	\$ 89.85
	% Change	2.3%	(0.4%)	2.1%	(3.7%)	3.9%	4.9%	0.2%	(14.2%)	16.0%	(0.6%)
	Projected PEPM	\$ 102.73	\$ 102.73	\$ 102.73	\$ 101.63	\$ 102.46	\$ 102.43	\$ 102.43	\$ 102.43	\$ 104.94	\$ 103.10
	% Change	2.5%	0.0%	0.0%	(1.1%)	(4.0%)	0.8%	0.0%	0.0%	2.5%	0.6%
Expenses	Actual PEPM	\$ 29.41	\$ 33.07	\$ 32.18	\$ 32.28	\$ 31.74	\$ 29.55	\$ 33.04	\$ 31.31	\$ 31.56	\$ 31.37
	% Change	(26.6%)	12.4%	(2.7%)	0.3%	(2.8%)	(8.5%)	11.8%	(5.2%)	0.8%	(1.2%)
	Projected PEPM	\$ 47.13	\$ 47.13	\$ 47.13	\$ 45.18	\$ 46.65	\$ 45.31	\$ 45.31	\$ 45.31	\$ 33.36	\$ 42.02
	% Change	0.4%	0.0%	0.0%	(4.1%)	2.5%	0.3%	0.0%	0.0%	(26.4%)	(9.9%)

Appendix A. - Contribution Rates

Actives from October 1, 2010 - December 31, 2011 -- Retirees from January 1, 2011 to December 31, 2011

Actives	Medical and Pharmacy*	Expenses	Corp Health	Retirement Subsidy	Base Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 EE Total Cost	2010 EE Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Health Advantage														
Employee Only	\$347.70	\$37.84	\$6.04	\$11.20	\$402.78	\$57.97	\$24.94	\$18.53	\$131.00	\$170.34	\$152.69	\$17.65	12%	30,042
Employee & Spouse	1,032.36	37.84	9.08	11.20	1,090.48	103.06	44.17	40.51	131.00	771.74	721.45	50.29	7%	1,557
Employee & Child(ren)	653.29	37.84	7.86	11.20	710.19	78.96	33.84	29.52	131.00	436.87	406.05	30.82	8%	5,134
Family	1,036.06	37.84	13.08	11.20	1,098.18	106.73	45.75	40.88	131.00	773.82	723.40	50.42	7%	1,795
Est. Monthly Total (mil \$)	\$17.3	\$1.5	\$0.3	\$0.4	\$19.4	\$2.5	\$1.1	\$0.8	\$5.0	\$10.0	\$9.1	\$0.9		38,528
NovaSys														
Employee Only	\$385.00	\$24.21	\$6.04	\$11.20	\$426.44	\$57.97	\$24.94	\$18.53	\$131.00	\$194.00	\$173.33	\$20.67	12%	2,962
Employee & Spouse	1,113.21	24.21	9.08	11.20	1,157.70	103.06	44.17	40.51	131.00	838.96	779.05	59.91	8%	116
Employee & Child(ren)	710.43	24.21	7.86	11.20	753.70	78.96	33.84	29.52	131.00	480.38	443.21	37.17	8%	520
Family	1,117.23	24.21	13.08	11.20	1,165.72	106.73	45.75	40.88	131.00	841.36	781.20	60.16	8%	182
Est. Monthly Total (mil \$)	\$1.8	\$0.1	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.1	\$0.5	\$1.1	\$1.0	\$0.1		3,780
NovaSys HD PPO														
Employee Only	\$206.10	\$24.21	\$6.04	\$11.20	\$247.54	\$57.97	\$24.94	\$18.53	\$131.00	\$15.10	\$48.19	(\$33.09)	-69%	1,855
Employee & Spouse	607.35	24.21	9.08	11.20	651.84	103.06	44.17	40.51	131.00	333.10	429.93	(96.83)	-23%	154
Employee & Child(ren)	385.42	24.21	7.86	11.20	428.68	78.96	33.84	29.52	131.00	155.36	217.98	(62.62)	-29%	241
Family	609.56	24.21	13.08	11.20	658.06	106.73	45.75	40.88	131.00	333.70	430.84	(97.14)	-23%	293
Est. Monthly Total (mil \$)	\$0.7	\$0.1	\$0.0	\$0.0	\$0.9	\$0.2	\$0.1	\$0.1	\$0.3	\$0.2	\$0.3	(\$0.1)		2,543
Total (Monthly) (mil \$)	\$19.9	\$1.6	\$0.3	\$0.5	\$22.3	\$2.9	\$1.3	\$1.0	\$5.9	\$11.2	\$10.4	\$0.8		44,851
Est. Annual Total (mil \$)	\$238.3	\$19.3	\$3.6	\$6.0	\$267.3	\$35.0	\$15.0	\$11.8	\$70.5	\$134.9	\$124.9	\$10.0		

Retirees	Medical and Pharmacy*	Expenses	Corp Health		Total Monthly Premium	Subsidy & Reserve Allocation				2011 Total Ret. Cost	2010 Total Ret. Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Non-Medicare Eligible														
Retiree Only	\$413.54	\$37.84	\$6.04		\$457.42	\$0.00				\$457.42	\$527.62	(\$70.20)	-13%	1,818
Retiree & NME SP	1,105.09	37.84	9.08		1,152.01	0.00				1,152.01	1,213.72	(61.71)	-5%	204
Retiree & Child(ren)	722.58	37.84	7.86		768.28	0.00				768.28	939.28	(171.00)	-18%	11
Retiree & NME SP&CH	1,108.90	37.84	13.08		1,159.82	0.00				1,159.82	1,900.80	(740.98)	-39%	2
Retiree & ME SP	552.96	37.84	6.04		596.82	0.00				596.82	609.70	(12.88)	-2%	-
Retiree & ME SP & CH	862.01	37.84	7.86		907.71	0.00				907.71	1,004.01	(96.30)	-10%	-
Est. Monthly Total (mil \$)	\$1.0	\$0.1	\$0.0		\$1.1	\$0.0				\$1.1	\$1.2	(\$0.1)		2,035
Medicare Eligible														
Retiree Only	\$134.75	\$15.41	Not Offered		\$150.16	\$108.72				\$41.44	\$41.44	\$0.00	0%	4,739
Retiree & NME SP	552.96	15.41	Not Offered		568.37	0.00				568.37	674.34	(105.97)	-16%	136
Retiree & Child(ren)	443.79	15.41	Not Offered		459.20	38.03				421.17	421.17	0.00	0%	12
Retiree & NME SP&CH	862.01	15.41	Not Offered		877.42	0.00				877.42	1,054.07	(176.65)	-17%	3
Retiree & ME SP	269.50	15.41	Not Offered		284.91	114.32				170.59	170.59	0.00	0%	440
Retiree & ME SP & CH	578.55	15.41	Not Offered		593.96	43.64				550.32	550.32	0.00	0%	2
Est. Monthly Total (mil \$)	\$0.8	\$0.1	\$0.0		\$0.9	\$0.6				\$0.4	\$0.4	(\$0.0)		5,332
Total (Est. Monthly)	\$1.8	\$0.2	\$0.0		\$2.0	\$0.6				\$1.4	\$1.6	(\$0.2)		7,367
Est. Annual Total (mil \$)	\$21.9	\$1.9	\$0.2		\$24.0	\$6.8				\$17.2	\$19.1	(\$1.9)		

Appendix B. - Enrollment Details

Average for Year Ending		9/30/2008	9/30/2009	9/30/2010	Updated Proj. 12/31/2011
Health Advantage	Single	27,671	28,217	29,838	30,097
	Employee/Spouse	1,711	1,606	1,531	1,361
	Employee/Child(ren)	5,100	4,945	5,163	5,278
	Family	1,997	1,827	1,822	1,865
	Total	36,479	36,594	38,353	38,601
	Member Counts	52,866	52,125	54,386	55,165
NovaSys	Single	4,133	3,712	2,946	2,395
	Employee/Spouse	194	163	113	84
	Employee/Child(ren)	832	711	521	427
	Family	371	280	185	133
	Total	5,530	4,864	3,764	3,039
	Member Counts	8,305	7,125	5,370	4,324
NovaSys HD PPO	Single	1,296	1,485	1,833	3,392
	Employee/Spouse	117	117	155	259
	Employee/Child(ren)	182	188	243	484
	Family	252	217	294	550
	Total	1,847	2,007	2,524	4,685
	Member Counts	3,053	3,108	4,023	7,494
Pharmacy/Total	Single	33,100	33,413	34,616	35,884
	Employee/Spouse	2,022	1,885	1,799	1,704
	Employee/Child(ren)	6,113	5,844	5,926	6,189
	Family	2,620	2,324	2,301	2,549
	Total	43,855	43,465	44,642	46,326
	Member Counts	64,224	62,358	63,779	66,983
Retirees Not Medicare Eligible (NME)	Retiree Only	1,981	1,860	1,767	1,632
	Retiree + NME Spouse	253	225	200	190
	Retiree + Child(ren)	18	13	11	8
	Retiree + NME Spouse + Child(ren)	3	2	2	2
	Retiree + ME Spouse	4	3	0	-
	Retiree + ME Spouse + Child(ren)	-	-	-	-
	Total	2,255	2,101	1,980	1,832
NME Member Counts	2,728	2,521	2,371	2,229	
Retirees Medicare Eligible (ME)	Retiree Only	3,682	4,205	4,774	5,212
	Retiree + NME Spouse	145	137	141	154
	Retiree + Child(ren)	15	12	13	14
	Retiree + NME Spouse + Child(ren)	6	4	3	4
	Retiree + ME Spouse	298	371	440	481
	Retiree + ME Spouse + Child(ren)	2	1	2	1
	Total	3,997	4,589	4,931	5,708
ME Member Counts	4,453	5,106	5,814	6,349	

Appendix C. - Summary of Plan or Policy Changes

<u>Date</u>	<u>Major Change</u>
For 2011 Plan Year	<p>Lifetime Max for Out-of-Network (OON) changed to match the In Network's (INN) Unlimited Lifetime Maximum</p> <p>Immunizations covered at 100% for OON coverage</p> <p>Some services under behavioral health now do not require pre-authorization</p> <p>Intensive Out-Patient Services under behavioral health now require 20% member coinsurance</p> <p>\$10,000 Benefit Maximum Removed for Durable Medical Equipment / Enteral Feeding</p> <p>Hearing/Vision Screening copayment changed to \$35 OON (ARHealth), and \$35 INN & OON (ARHealth HD)</p> <p>Active and non-Medicare experience was blended in determining the rates</p> <p>Increased credibility was given to the High Deductible Plan in determining the rates</p> <p>Child covered until age 26</p>
For 2010 Plan Year	<p>Hearing Aids benefit added</p> <p>Hearing and Vision exams are now covered as wellness benefits</p>
For 2009 Plan Year	<p><u>AR Health Plan (including Retirees)</u></p> <p>Coinsurance percentage for In-Network services will increase from 10% to 20%</p> <p>Annual Coinsurance Limit will increase from \$1,000 to \$1,500 for employee only and from \$2,000 to \$3,000 for the other coverage tiers</p> <p><u>ARHealth HD PPO Plan</u></p> <p>Deductible will increase from \$1,250 to \$1,500 for employee only and from \$2,500 to \$3,000 for the other coverage tiers</p>
For 2008 Plan Year	<p>ARHealth Plan and ARHealth HD PPO replace the previous PPO, HMO, and POS options for Actives</p> <p>ARHealth offered through Health Advantage and NovaSys Health</p> <p>ARHealth HD PPO offered only through NovaSys</p> <p>Blue Cross & Blue Shield and QualChoice are no longer benefit coordinators for these plans</p> <p>New Utilization and Case Management Services are provided by AHH, Inc.</p> <p>Copayments for Office visits increased to \$25 (PCP) and \$35 (SPC)</p> <p>Preferred (Tier II) Prescription Copayments were increased to \$30 and the Non-Preferred (Tier III) Prescription Copayments were increased to \$60</p> <p>Annual Family Coinsurance limit increased to \$2000</p> <p>Out-Patient Radiology Services has a \$250 copayment along with a 10% coinsurance</p> <p>Coinsurance increased to 10% for many In-Network services and to 40% for most Out-of-Network services</p>

Appendix D. - Provider Contract Summary

Service Providers	Cost			Effective Dates
				Rates as of:
Benefit and Claims Coordination (Actives)	<u>ARHealth</u>	<u>ARHealth HD PPO</u>		For Calendar Year
- Health Advantage	\$27.13	n/a	Per Employee Per Month	2010 unless noted
- NovaSys Health	\$13.90	\$13.90	Per Employee Per Month	
Benefit and Claims Coordination (Retirees) - Health Advantage				
- Medicare	\$15.41	n/a	Per Employee Per Month	
- Non-Medicare and COBRA	\$20.74	n/a	Per Employee Per Month	
Prescription Drugs Claims Administration		<u>All Plans</u>		
- informedRx (formerly NMHC)		\$0.65	Per Retail Script	
- informedRx Mail		\$1.25	Per Direct Script	
- Integrail		\$0.99	Per Employee Per Month	
Medical Appeals - UAMS				
- Physician Appeals		\$150.00	Per Physician Appeal	
Pharmacy Prior Authorization and Appeals - EBRx				
- Prior Authorization		\$18.00	Per Authorization	Effective 7/1/2010
- Physician Appeals		\$150.00	Per Physician Appeal	
Medical Utilization Review - American Health Holding, Inc.		\$0.85	Per Member Per Month	
Case Management - Arkansas Blue Cross Blue Shield		\$0.97	Per Member Per Month	Effective 4/1/2010
Behavioral / Mental Health & Substance Abuse - Corp Health				
- Managed Behavioral Health - Employee Only		\$3.07	Per Employee Per Month	
- Managed Behavioral Health - Employee & Spouse		\$6.11	Per Employee Per Month	
- Managed Behavioral Health - Employee & Child		\$4.89	Per Employee Per Month	
- Managed Behavioral Health - Employee & Family		\$10.11	Per Employee Per Month	
- Employee Assistance Program		\$2.97	Per Employee Per Month	
- Tobacco Cessation Program		\$0.36	Per Employee Per Month	
- Weight Management Program		\$0.27	Per Employee Per Month	
Health Savings Account (HSA) Administrator - DataPath Admin. Services				
- Enrollment Fee (Electronic)		\$15.00	Per Enrollment	
- Enrollment Fee (Paper)		\$25.00	Per Enrollment	
- Monthly Fee		\$4.00	Per Enrolled Employee Per Month	

Appendix E. - Reserve Details

(In Millions \$)	9/30/2008	9/30/2009	9/30/2010	Updated Proj. 12/31/2011
Net Assets (Prior To IBNR)	\$ 58.8	\$ 66.1	\$ 68.8	\$ 55.2
Incurred But Not Recorded Claims	\$ (22.8)	\$ (24.5)	\$ (27.8)	\$ (27.8)
Net Assets After IBNR	\$ 36.0	\$ 41.6	\$ 40.9	\$ 27.3
ALLOCATED RESERVES				
Active Premiums for Plan Year	\$ -	\$ -	\$ -	\$ (0.0)
Active Premiums for Next Plan Year	\$ (4.2)	\$ (2.0)	\$ (11.8)	\$ (10.6)
Active Premiums for Following Plan Year	\$ -	\$ (2.0)	\$ (10.6)	\$ -
Retiree Premiums for Plan Year	\$ (0.3)	\$ (1.1)	\$ (1.2)	\$ 0.0
Retiree Premiums for Next Plan Year	\$ (10.5)	\$ (4.0)	\$ (0.8)	\$ (0.8)
Retiree Premiums for Following Plan Year	\$ -	\$ (4.0)	\$ (0.8)	\$ -
Catastrophic Reserve	\$ (7.1)	\$ (9.1)	\$ (9.1)	\$ (9.1)
2008 Pharmacy Reward Program	\$ -	\$ (3.0)	\$ (1.5)	\$ (1.5)
Total Allocated Reserves	\$ (22.1)	\$ (25.2)	\$ (35.8)	\$ (22.0)
Net Assets Available	\$ 14.0	\$ 16.4	\$ 5.2	\$ 5.3

Note: Actual Reserves are those certified by Cheiron in July 2010. Original and updated Reserve projections are based on expected changes in incurred and paid claims. Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements.

Appendix F. - Definitions & Methods

Definitions:

Actual:	Results based on actual paid and incurred claims experience. Actual incurred reflects an updated estimate of incurred but not recorded (IBNR) claims.
Projected:	Projections produced for use in setting annual rates. For 2010 and prior these were produced by Milliman. Details on the assumptions & methods used for Cheiron's 2011 projections presented in May 2010 can be found in our August 27, 2010 letter to Jason Lee.
Original Projections:	Same as projected.
Updated Projections:	Original projections produced in May 2010 by Cheiron for 2011 rates, adjusted for actual asset experience and enrollment changes through December 2010.

Methods:

Updated Projections:	Claims, Expenses and Participant Income were adjusted for changes in headcounts only, assuming stable population after December 2010. <i>Note that the updated projections presented in this report do NOT reflect updated claims experience.</i>
Incurred Claims:	Based on service dates and process dates through December 31, 2010. A blend of methods based on actuarial judgment was used to estimate the incurred claims by month.
IBNR (Incurred But Not Recorded) Claim Reserves:	Actual Reserves are those certified by Cheiron in July 2010. Original and updated Reserve projections are based on expected changes in incurred and paid claims. <i>Note that any projected IBNR Reserves presented in this report may NOT be used for financial statements.</i>

Qualification Statements:

Reliance Statement: In preparing our report, we relied without audit, on information (some oral and some written) supplied by the Employee Benefits Division and the Plan's vendors. This information includes, but is not limited to, the Plan provisions, employee data, and financial information.

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

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