

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
April 8, 2011**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Friday, April 8, 2011 at 9:00 a.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, Kristie Cox, Lori Eden, Sherri Saxby, Florence Marvin, Paige Harrington, Sherry Bryant, Cathy Harris, EBD; Rhonda Hill, ACHI-EBD; David Bridges, Barbara Melugin, Kathy Ryan, AR BC/BS Health Advantage; Shonda Rocke, Connie Bennett, InformedRx; Marc Watts, AR State Employee Association; Wayne Whitley, Rhonda Walthall, George Burks, Hank Reed, USAble; Mona Neal, AR Public Service Commission; Joseph Chang, MN Life; Treg Long, American Cancer Society, Sharon Marcum. LifeSynch; John Greer, Greer Consulting; Bryan Meldrum, Novasys;

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 March 4, 2011 minutes. Walker made the motion to approve. Harrison seconded. All were in favor. Minutes approved.

BENEFITS STRATEGIC PLANNING WORKGROUP (BSPW) REPORT

by George Platt, EBD Chief Operations Officer

Platt reported the workgroup met on Tuesday, April 5th. The discussions centered on issues from the legislative session; coverage for autism disorders, morbid obesity and gastric pacemakers. Platt said they are working with carriers on the benefits structure for autism disorders.

Platt said the federal healthcare law requires them to make a lot of changes to the current weight management efforts offered by the plan. Platt said they spent a lot of time reviewing the current program but they could not figure out how to replace the entire current program to meet with the new criteria. The discussion was tabled until the next meeting.

Platt said the also discussed the new law that provides a bariatric surgery benefit for state employees. The pilot program is a four year study to evaluate if there is long term gain in both health and financial resources by providing bariatric surgery procedures.

Platt presented the following recommendation from the BSPW for the Benefits Subcommittee consideration:

Recommendation: Approve the current Medicare practices for Bariatric Surgery as the framework for creation of the pilot program, with the BSPW and EBD Staff continuing to study and update guidelines in relation to those practices. Implementation of the program guidelines would continue through 2011, with a 2012 plan year start.

McCook made the motion to adopt the recommendation for Bariatric Surgery. Harrison seconded. All were in favor. Motion carried.

LIFE INSURANCE *by Usable and Minnesota Life*

Lee explained it is time for the committee to review the life insurance benefit coverage for the ASE & PSE groups. Lee said there is a great deal of differences between the two plans and they will try and clean up some of the fundamental differences in the years ahead.

a. USAbLe, George Burks, Regional VP Sales Division & Hank Reed, VP Group Underwriting

Burks provided an overview of the current life insurance plans for the Public Schools Employee Group. Burks said the basic life plan design has not changed in over 10 years, and they want to update the current policy and make it a little more equitable to the state plan.

Burks informed the committee that the loss ratios over the last 3 ½ years has been about 97%, and so there will be a rate increase for the 2012 plan year renewal. Burk said if the proposed plan is implemented the projected rate increase may be negated.

Burks presented the proposed plan design changes: The new supplemental plan will have rates based on age; this will attract younger employees into the plan; influx of new (younger) employees provides a better spread of risk and keeps the plan financially viable over time; experience for current plan and rates indicates a required increase of approximately 10% for supplemental and dependent life 01/01/2012.

The committee discussed providing basic life insurance to school employees who do not participate in the health insurance program.

Lee informed the committee that the state does not provide the basic life insurance for school employees with health insurance. Lee said the school district pays for the \$5000 Life/AD&D benefit.

Walker made the motion to remove the requirement that school employees must participate in the health insurance program in order to enroll in the basic plan. McCook seconded. All were in favor. Motion carried.

McCook made the motion that the BSPW work with USABLE and review the proposed plan design with age bans. Harrison seconded. All were in favor. Motion carried.

b. Minnesota Life *by Joseph Chang, Manager*

Lee explained that in the last meeting he informed the committee about an issue raised by one of the legislators regarding the life insurance supplemental option. Lee said legislators & Constitutional Officers are limited to a lesser amount than the active state employees for supplemental coverage. The committee directed lee in the last meeting to report back with a cost estimate for achieving parity between the two groups.

Chang provided a summary of the current ASE Life Insurance plan and the proposed changes.

Chang proposed: allow state employees to obtain \$30,000 contributory Basic life; Permit legislators and constitutional officers to elect up to \$250,000 in supplemental insurance and add a flat \$40,000 dependent life option for state employees.

McCook suggested that legislators and state employees be able to elect up to \$250,000 in overall supplemental life insurance in increments of \$10,000 instead of the proposed \$1,000 increments.

McCook made the motion to adopt the proposed changes based on \$10,000 increments. Harrison seconded. All were in favor. Motion carried.

ACTS OF THE 2011 REGULAR SESSION *by Jason Lee*

Lee talked about four acts that directly impact EBD's operations.

Act 1042 - AN ACT TO REQUIRE HEALTH INSURANCE PLANS TO PROVIDE COVERAGE FOR GASTRIC PACEMAKERS.

SB66 - AN ACT TO REQUIRE HEALTH BENEFIT PLANS TO PROVIDE COVERAGE FOR THE TREATMENT OF MORBID OBESITY.

HB1315 - TO PROVIDE HEALTH INSURANCE COVERAGE FOR AUTISM SPECTRUM DISORDERS

Lee also informed the committee about a bill that adjusts how preauthorization are handled by the plan.

Lee said the BSPW is in the process of discussing the best way to handle the benefit structure for autism regarding pre-authorizations and caps. Lee said they expect minimal costs to the plan for gastric pacemakers.

MEDICARE ADVANTAGE & 2012 PLAN YEAR RATING *by John Colberg, Cheiron*

Colberg reported they are currently processing the Medicare data for comparative purposes.

Colberg provided an overview of the preliminary rates for ASE & PSE Plan Year 2012. The committee reviewed benefit options for the Gold, Silver (Tentative), and Bronze (Tentative) plans, rate development and the final rate details.

The committee discussed blending options for determining the rates.

Lee said they will have other options for the committee to review and discuss in the next meeting. Lee said the rates will need to be finalized in the July meeting in order for them to be prepared for open enrollment in October.

McCook said he is opposed to any attempts to increase the funding for state employer contribution in order to minimize the impact to the rates. McCook said he believes they will be abusing their funding position if they went back and asked for more money from the state.

Lee said the net assets available are about \$10M down from last year. Lee said they will have some reserve they can contribute to the ASE and PSE rates for the 2012 and 2013 plan years.

Meeting adjourned.

AGENDA

State and Public School Life and Health Insurance Board

Benefits Sub-Committee

EBD Board Room - 501 Building - 5th Floor

April 8, 2011 9:00 a.m.

1. Call to Order *Lloyd Black, Vice-Chairman*
2. Approval of Minutes *Lloyd Black, Vice-Chairman*
3. BSPW (workgroup) Report *George Platt, Deputy Director*
4. Life Insurance
 - a. PSE *George Burks, USAble Life*
 - b. ASE *Joe Chang, Minnesota Life*
5. Acts of 2011 Regular Session *Jason Lee, Executive Director*
6. Medicare Advantage *John Colberg, Cheiron*
7. 2012 Plan Year Rating *John Colberg, Cheiron*
8. Director's Report *Jason Lee, Executive Director*

Upcoming Meetings

May 6

June 3

July 8 – Final Review of 2012 Plan Year Rates (Final Board Review July 19)

Arkansas Public Schools Employee Group

Current Plan Overview & Proposed Plan Design Changes

Current Plan Design

- **Basic Life**

- \$5,000 Life/AD&D Benefit

- **Supplemental Life**

- Currently available in \$10K increments from \$10K-\$70K based on Classification By Basic Annual Earnings. (ex. School Employee making \$30,001 and above receives \$70K of Supplemental Life/AD&D)
- Can be purchased with or without Health Insurance (change implemented 10/1/2010)

- **Dependent Life**

- Spouse Coverage of \$2,500
- Child(ren) Coverage
 - \$2,500 ages 3 and up
 - \$1,000 ages 14 day to age 3

- **Retiree Life**

- Eligible Retirees may continue up to 50% of the coverage carried prior to retirement for Supplemental Life. Basic Life of \$4,000.

Proposed Plan Design

- **Employee Supplemental Life/AD&D**

- Change benefit to increments of \$10,000 to \$250,000
- Not to exceed 5 x salary
- No reductions due to age for active employees
- Guaranteed issue amount of \$80,000 for newly hired employees
- Offer supplemental coverage to employees not currently on health plan
- Increases employee choice

- **Basic Life and Dependent Life**

- All current benefits remain the same

- **Retiree Life**

- Current retirees retain existing supplemental life amounts
- Future retiree benefits would reduce 50% at retirement not to exceed \$35,000
- Retiree benefits reduce an additional 50% at age 70
- Supplemental AD&D benefits terminate at retirement (same as current)

Transition to New Plan for Existing Employees

- New hires to the plan would have a Guaranteed Issue amount (GI) of \$80,000
- Employees would be eligible to move current benefit to new plan with no evidence of insurability (EOI) requirement
- Employees currently covered have option to increase coverage one increment of \$10,000 with no EOI
- Existing employees would have an annual option to increase coverage by one increment of \$10,000 with no EOI
- Increases greater than one increment would require EOI

Supplemental Rates and Premium

- New Supplemental plan will have rates based on age
- This will attract younger employees into the plan
- Influx of new (younger) employees provides a better spread of risk and keeps the plan financially viable over time
- Experience for current plan and rates indicates a required increase of approximately 10% for supplemental and dependent life 1/1/2012
- If the proposed plan is implemented the projected rate increase may be negated

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													
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Age	Unit													
14 days < 3 years	\$2,000													
3 years and older	\$4,000													

Exhibit 1

EBD State of Arkansas ASE Group Life

Member Basic Life

	Legislators & Constitutional Officers	State Employee
Basic <i>Member</i>	\$10,000 non-contributory (Employer paid) + <u>\$30,000 (Member paid at flat rate)</u> \$40,000 <u>Reduction:</u> \$10,000 non-contributory (Employer paid) Age 65 reduce to \$5,000 Age 70 reduce to \$4,000 \$30,000 contributory (Member paid) Age 65 reduce 50% Age 70 reduce 50% of already 50% (1/4) AD&D stops at age 75	\$10,000 non-contributory (Employer paid) + <u>\$30,000 (Member paid at age banded rates)</u> <u>\$40,000</u> <u>Reduction:</u> \$10,000 non-contributory (Employer paid) Age 65 reduce to \$5,000 Age 70 reduce to \$4,000 \$30,000 contributory (Member paid) Age 65 reduce 50% Age 70 reduce 50% of already 50% (1/4) AD&D stops at age 75

Issue

Legislators & Constitutional officers may receive up to \$40,000 in overall Basic life coverage (\$10,000 non-contributory plus \$30,000 contributory).

State employees only receive the non-contributory portion of Basic life, or \$10,000.

Cost of Basic life is at flat non-contributory Basic rate.

Proposal

Allow State employees to obtain \$30,000 contributory Basic life.

- Current employees may elect contributory Basic guaranteed on a one-time basis only.
- New employees may elect contributory Basic on a guaranteed basis.

Cost for state employees would be at current age banded supplemental rates, rather than the flat rate charged to legislators/officers.

Exhibit 2
EBD State of Arkansas ASE Group Life
Member Supplemental Life

	Legislators & Constitutional Officers	State Employee
Supplemental (Member paid) <i>Member</i>	<p><u>Up to \$250,000 maximum</u> (\$1,000 Increments)</p> <p><u>Reduction:</u> Age 65 = 50% Age 70 = 25% Age 70 Basic + Supplemental <\$20,000.</p>	<p>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>

Issue

Legislators and constitutional officers may elect up to \$50,000 in overall Supplemental life insurance at \$1,000 increments.

Whereas, state employees can elect up to \$250,000 in overall Supplemental life insurance at increments of \$1,000.

Election by both groups requires evidence of insurability (EOI).

Cost of both supplemental plans is at current age banded rates.

Proposal

Permit legislators and constitutional officers to elect up to \$250,000 in supplemental insurance.

Election by both groups continues with evidence of insurability (EOI).

No change in costs.

Exhibit 3

EBD State of Arkansas ASE Group Life Spouse and Dependent Supplemental Life

	Legislators & Constitutional Officers	State Employee	
		Grandfathered units vs. New unit	New employee
Supplemental (Member paid) <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"> • Either 1, 2, 3, 4, and 5 units <u>or Unit 6</u> • 1 to 5 = \$4,000 per unit up to \$20,000 • <u>Unit 6 flat \$40,000 overall</u> • GI \$4,000 (1 unit) 	<ul style="list-style-type: none"> • Either 1, 2, 3, 4, and 5 units <u>or Unit 6</u> • 1 to 5 = \$4,000 up unit up to \$20,000 • <u>Unit 6 flat \$40,000 overall</u> • <u>GI \$20,000 (5 units)</u>
<i>Child</i>	<ul style="list-style-type: none"> • 1 or 2 units • \$20,000 unit (Limited to \$10,000 for 14 days to <3 years) • GI \$20,000 	<ul style="list-style-type: none"> • Either 1, 2, 3, 4 and 5 units <u>or Unit 6</u> • Unit 1 to 5 = \$4,000 up to \$20,000 (Limited to \$2,000 per unit for 14 days to <3 years) • <u>Unit 6 flat \$40,000 overall</u> • GI \$4,000 	<ul style="list-style-type: none"> • Either 1, 2, 3, 4 and 5 units <u>or Unit 6</u> • Unit 1 to 5 = \$4,000 up to \$20,000 (Limited to \$2,000 per unit for 14 days to <3 years) • <u>Unit 6 flat \$40,000 overall</u> • <u>GI \$20,000</u> (Limited to \$10,000 for 14 days to <3 years)

Issue

Legislators & Constitutional officers may have up to \$40,000 each in Spouse and Child coverage.

State employees may only have up \$20,000 each in Spouse and Child supplemental insurance.

Proposal

Add a flat \$40,000 dependent life option for state employees. Current dependent insured's would retain their current benefit amounts, but can provide EOI to increase within the current options or increase to \$40,000.

Increase the state employee dependent GI limit to \$20,000 for new employees going forward. Again, EOI would be required for current employees to increase coverage.

Arkansas State Employees Health Benefits Program

Preliminary Rates for CY 2012

John Colberg, FSA, EA MAAA

Karen Mallett, FSA, MAAA



April 8, 2010



Topics

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Benefit Options

Benefit Option Name: Last Modified: Plan Coverage Relative Value: Provider Network:	Gold 1/1/2012 1.00 Health Advantage	Silver (Tentative) 1/1/2012 0.92 TBD	Bronze (Tentative) 1/1/2012 0.82 TBD
<u>In-Network (INN) Benefits</u>			
Deductible (Individual / Family)	None / None	\$500 / \$1000	\$1500 / \$3000
Coinsurance	20%	20%	20%
Copays			
Office Visit (OV)-Primary Care (PCP)	\$25	\$35	None
OV - Specialist Care Provider (SCP)	\$35	\$50	None
Urgent Care (UC)	\$100	\$150	None
Hospital Emergency Room (ER) Non-admitted	\$100	\$150	None
Outpatient Surgery	\$100	\$100	None
Hospital Inpatient	\$250	\$250	None
Out-of-Pocket Max (Individual / Family)	\$1500 / \$3000	\$2000 / \$4000	\$2500 / \$5000
<u>Out-of-Network (OON) Benefits</u> ²			
Deductible (Individual / Family)	\$1000 / \$2000	\$1000 / \$2000	\$3000 / \$6000
Coinsurance	40%	40%	40%
Out-of-Pocket (OOP) Max (Individual / Family)	\$5000 / \$10000	\$5000 / \$10000	\$5000 / \$10000
Annual Maximum INN / OON	Unlimited / \$1,000,000	Unlimited / \$1,000,000	Unlimited / \$1,000,000
<u>Prescription Drugs</u>			
Separate Deductible then the following Copays:			
Retail (30 Days) - Generic/Formulary /Non-Form.	\$10 / \$30 / \$60	\$15 / \$35 / \$70	Ded. & Coins.
Mail Order (90 Days) - Generic/Form. /Non-Form.	\$10 / \$30	\$15 / \$35	Ded. & Coins.
<u>Selected Detail Benefits</u>			
Mental Health (MH) / Substance Abuse (SA):	IP: \$250 then Ded & Coins; OP: Ded & Coins	IP: \$250 then Ded & Coins; OP: Ded & Coins	Ded. & Coins.
Psychiatry	INN: \$25 Copay; OON: Ded & Coins.	INN: \$35 Copay; OON: Ded & Coins.	Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical):	Ded & Coins.	Ded & Coins.	Ded. & Coins.
Chiropractors:	\$35 then Ded & Coins	\$35 then Ded & Coins	Ded. & Coins.
Hearing Aids:	No Cost; Limit of \$1400 per ear every 3 years	No Cost; Limit of \$1400 per ear every 3 years	Ded. & Coins.
Preventive Care:	INN: No Cost; OON: Coins. except immun. no cost	INN: No Cost; OON: Coins. except immun. no cost	INN: No Cost; OON: Coins. except immun. no cost



Benefit Options (Cont.)

Medical Management			
PCP referral to specialists required:	No	No	No
Inpatient:	Health Advantage (HA) - Patient Responsible	TBD	TBD
Outpatient:	Selected	Selected	Selected
Case Management:	Yes	Yes	Yes
Disease Management:	No	No	No
Wellness	Yes	Yes	Yes
Nurse-Line / Informed Decision Support:	Yes	Yes	Yes
Medicare Integration:	Coordination of Benefits	Not Available	Not Available
Non- Medicare Benefits Covered:	Yes, same as NME		
Non- Medicare Providers Covered:	Non-Par & Non-Accepting		
Pharmacy Covered:	Non-Par & Non-Accepting		
Vision Care Services			
Exam every 24 months - INN	\$35 Copay	\$35 Copay	\$35 Copay
Flexible Spending Account Offered:	Yes	Yes	Yes
Health Savings Account Offered:	No	No	Yes
Life Insurance (ASE Only)			
Prior to Age 65	\$10,000	\$10,000	\$10,000
From Age 65 to Age 69	\$5,000	\$5,000	\$5,000
From Age 70 on	\$4,000	\$4,000	\$4,000

¹DC means Deductible and Coinsurance applies.

²When an in-network provider is not available within 50 miles for a hospital and 25 miles for all other providers, then in-network



Option 1 - Baseline

ASE ACTIVE RATE DEVELOPMENT for CY2012

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Gold			Silver (based on Gold Actives)			Bronze		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	2/10 - 1/11	
	2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	2/10 - 2/11	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$143,177,761	\$41,752,307	\$184,930,068	\$128,283,829	\$37,205,186	\$165,489,015	\$1,595,219	\$137,985	\$1,733,204
2 Less High Cost Claims Above (Med/Rx) \$100,000 \$20,000	<u>\$7,046,324</u>	<u>\$3,158,356</u>	<u>\$10,204,680</u>	<u>\$5,952,884</u>	<u>\$2,790,131</u>	<u>\$8,743,015</u>	<u>\$96,970</u>	<u>\$8,333</u>	<u>\$105,303</u>
3 Net Incurred Claims below Pooling Point [1 - 2]	\$136,131,436	\$38,593,952	\$174,725,388	\$122,330,945	\$34,415,055	\$156,746,000	\$1,498,249	\$129,652	\$1,627,901
4 Person Months for Experience Period	597,011	597,011	597,011	560,384	560,384	560,384	19,156	19,156	19,156
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$228.02	\$64.65	\$292.67	\$218.30	\$61.41	\$279.71	\$78.21	\$6.77	\$84.98
6 Change in Benefits During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
7 Change in Demographics or Risk During Experience Period	0.9943	0.9945		0.9943	0.9945		0.9964	1.0342	
8 Change in Geographic During Experience Period	<u>1.0000</u>	<u>1.0000</u>		<u>1.0000</u>	<u>1.0000</u>		<u>0.9982</u>	<u>0.9982</u>	
9 a) Annual Trend Rate	8.0%	5.5%		8.0%	5.5%		8.0%	5.5%	
b) Months to Trend	23	23		23	23		23	23	
c) Trend Adjustment	<u>1.1589</u>	<u>1.1081</u>		<u>1.1589</u>	<u>1.1081</u>		<u>1.1589</u>	<u>1.1081</u>	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$262.76	\$71.24	\$334.00	\$251.56	\$67.67	\$319.23	\$90.16	\$7.74	\$97.90
11 Charge for Claims above Pooling Point PPPM	<u>\$11.80</u>	<u>\$5.29</u>	<u>\$17.09</u>	<u>\$10.62</u>	<u>\$4.98</u>	<u>\$15.60</u>	<u>\$5.06</u>	<u>\$0.44</u>	<u>\$5.50</u>
12 Total Claims Charged PPPM [10 + 11]	\$274.56	\$76.53	\$351.09	\$262.18	\$72.65	\$334.83	\$95.22	\$8.18	\$103.40
13 Change in Future Benefits	1.0210	1.0000		0.9487	0.9020		1.0210	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0072	1.0072		0.9000	0.9000		1.0000	1.0000	
15 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
16 Change in Future Network	0.9857	1.0000		1.0825	1.0000		<u>1.0000</u>	<u>1.0000</u>	
17 Projected Incurred Claim PPPM [13x 14 x15x16]	\$278.32	\$77.08	\$355.41	\$242.33	\$58.98	\$301.30	\$97.22	\$8.18	\$105.40
18 Projected Blended Incurred Claim PPPM	n/a	\$75.23	n/a	n/a	\$67.86	n/a	n/a	\$56.30	n/a
19 Percent to Use Blended Experience		0%			0%			0%	
20 Rating Incurred Claim PPPM [17 blended with 18]	\$278.32	\$77.08	\$355.41	\$242.33	\$58.98	\$301.30	\$97.22	\$8.18	\$105.40
21 Projected Persons Months	564,837	564,837	564,837	40,655	40,655	40,655	21,720	21,720	21,720
22 Projected Total Incurred Claims [20 x 21]	\$157,206,587	\$43,539,377	\$200,745,964	\$9,851,654	\$2,397,669	\$12,249,323	\$2,111,555	\$177,651	\$2,289,206
23 Conversion to Rating Tiers [20 x rating tier x counts]	<u>x tier factor</u>	<u>Projected Ee Months</u>	<u>PEPM</u>	<u>x tier factor</u>	<u>Projected Ee Months</u>	<u>PEPM</u>	<u>x tier factor</u>	<u>Projected Ee Months</u>	<u>PEPM</u>
a) Employee Only	1.15	192,892	\$407.90	1.17	14,640	\$352.11	1.14	7,488	\$119.95
b) Employee & Spouse	2.92	44,551	\$1,036.33	2.97	2,719	\$894.59	2.85	1,728	\$300.73
c) Employee & Child(ren)	1.78	52,550	\$632.35	1.81	4,314	\$545.87	1.75	1,452	\$184.52
d) Family	3.23	36,967	\$1,148.57	3.29	2,327	\$991.48	3.16	1,812	\$333.01
e) Child(ren) of Medicare Retirees	0.63	914	\$224.45				-		
24 Rates Balance Confirmation		327,875	\$200,745,964		24,000	\$12,249,323		12,480	\$2,289,206

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

Option 1 – Baseline (Cont.)

ASE Detailed Financials

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys PPO & HD	No
If yes, % of PPO in Blend	90%
% to Blend Pharmacy	0%
Gold Rates Same as 2011 HA	No

ALLOCATED RESERVES (in \$millions)				
ASE -- PYE	2011	2012	2013	2014
Actives - 12/31	\$0.00	\$0.00	\$0.00	\$0.00
STATE/EMPLOYER FUNDING				
Calc Contributions	\$390	\$422	n/a	n/a
Base Contributions	\$390	\$390	\$390	\$390
% for Employee	75%	75%	75%	75%
% for Dependent	50%	50%	50%	50%
ASE Budgeted Jobs	34,800	34,800	34,800	34,800

2012 vs. 2011

Actives	Medical and Pharmacy	Expenses	Total Monthly Premium	State Contributions	Reserve Allocation	2012 EE Total Cost	2011 EE Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Gold										
Employee Only	\$407.90	\$47.57	\$455.47	\$330.52	\$0.00	\$124.95	\$95.78	\$29.17	30%	14,240
Employee & Spouse	1,036.33	47.57	1,083.90	632.95	0.00	450.95	367.74	83.21	23%	3,192
Employee & Child(ren)	632.35	47.57	679.92	439.56	0.00	240.36	193.64	46.72	24%	4,293
Family	1,148.57	47.57	1,196.14	686.18	0.00	509.96	419.62	90.34	22%	3,041
Est. Monthly Total (\$mil)	\$15.3	\$1.2	\$16.5	\$10.7	\$0.0	\$5.8	\$4.6	\$1.2		24,766
Silver							(2011 HA)			
Employee Only	\$352.11	\$47.57	\$399.68	\$330.52	\$0.00	\$69.16	\$95.78	(\$26.62)	-28%	1,220
Employee & Spouse	894.59	47.57	942.16	632.95	0.00	309.21	367.74	(58.53)	-16%	227
Employee & Child(ren)	545.87	47.57	593.44	439.56	0.00	153.88	193.64	(39.76)	-21%	359
Family	991.48	47.57	1,039.05	686.18	0.00	352.86	419.62	(66.76)	-16%	194
Est. Monthly Total (\$mil)	\$1.0	\$0.1	\$1.1	\$0.8	\$0.0	\$0.3	\$0.4	(\$0.1)		2,000
Bronze										
Employee Only	\$119.95	\$47.57	\$167.52	\$330.52	\$0.00	(\$162.99)	\$7.16	(\$170.15)	-2378%	624
Employee & Spouse	300.73	47.57	348.30	632.95	0.00	(284.65)	154.02	(438.68)	-285%	144
Employee & Child(ren)	184.52	47.57	232.09	439.56	0.00	(207.47)	60.33	(267.80)	-444%	121
Family	333.01	47.57	380.58	686.18	0.00	(305.61)	183.54	(489.15)	-267%	151
Est. Monthly Total (\$mil)	\$0.2	\$0.0	\$0.2	\$0.5	\$0.0	(\$0.2)	\$0.1	(\$0.3)		1,040
Total (Monthly) (\$ mil)	\$16.5	\$1.3	\$17.9	\$12.0	\$0.0	\$5.9	\$5.1	\$0.8		27,806
Est Annual Total (\$ mil)	\$198.4	\$15.9	\$214.3	\$143.9	\$0.0	\$70.4	\$60.7	\$9.7		

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



Option 1 – Baseline (Cont.)

ASE RETIREE RATE DEVELOPMENT for CY2012

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Non-Medicare (combined with Actives)			Medicare		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	2/10 - 1/11	
	2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	2/10 - 2/11	
1 Total Incurred Medical & Rx Claims (Experience Period)*	\$143,177,761	\$41,752,307	\$184,930,068	\$14,698,277	\$17,333,408	\$32,031,685
2 <u>Less High Cost Claims Above (Med/Rx)*</u> \$100,000 \$20,000	<u>\$7,046,324</u>	<u>\$3,158,356</u>	<u>\$10,204,680</u>	<u>\$187,985</u>	<u>\$1,456,922</u>	<u>\$1,644,907</u>
3 Net Incurred Claims below Pooling Point [1 - 2]	\$136,131,436	\$38,593,952	\$174,725,388	\$14,510,293	\$15,876,486	\$30,386,779
4 <u>Person Months for Experience Period</u>	597,011	597,011	597,011	104,850	104,850	104,850
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$228.02	\$64.65	\$292.67	\$138.39	\$151.42	\$289.81
6 Change in Benefits During Experience Period	1.0000	1.0000		1.0000	1.0000	
7 Change in Demographics or Risk During Experience Period	0.9943	0.9945		0.9997	1.0000	
8 Change in Geographic During Experience Period	1.0000	1.0000		1.0000	1.0000	
9 a) Annual Trend Rate	8.0%	5.5%		7.5%	5.5%	
b) Months to Trend	23	23		23	23	
c) <u>Trend Adjustment</u>	<u>1.1589</u>	<u>1.1081</u>		<u>1.1487</u>	<u>1.1081</u>	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$262.76	\$71.24	\$334.00	\$158.91	\$167.78	\$326.70
11 <u>Charge for Claims above Pooling Point PPPM</u>	<u>\$11.80</u>	<u>\$5.29</u>	<u>\$17.09</u>	<u>\$1.79</u>	<u>\$13.90</u>	<u>\$15.69</u>
12 Total Claims Charged PPPM [10 + 11]	\$274.56	\$76.53	\$351.09	\$160.71	\$181.68	\$342.38
13 Change in Future Benefits (Level/Mgt/Discounts)	1.0210	1.0000		1.0000	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0072	1.0072		1.0000	1.0000	
15 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000	
16 <u>Change in Future Network</u>	<u>0.9857</u>	<u>1.0000</u>		<u>1.0000</u>	<u>1.0000</u>	
17 Projected Incurred Claim PPPM [13x 14 x15x16]	\$278.32	\$77.08	\$355.41	\$160.71	\$181.68	\$342.38
18 <u>Projected Persons Months</u>	564,837	564,837	564,837	112,039	112,039	112,039
19 Projected Total Incurred Claims [17 x 18]	\$157,206,587	\$43,539,874	\$200,746,462	\$18,005,324	\$20,355,218	\$38,360,543

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



Option 1 – Baseline (Cont.)

ASE RETIREE RATE DEVELOPMENT for CY2012

	PPPM [17]	<u>x Non-Med.</u>	<u>Non-Med.</u>	<u>x Medicare</u>	<u>Medicare</u>	<u>Projected</u>	<u>TOTAL</u>
		<u>tier factor</u>	<u>PEPM</u>	<u>tier factor</u>	<u>PEPM</u>	<u>Ee Months</u>	<u>PEPM</u>
20 Conversion to Rating Tiers							
a) NME Retiree		1.15	\$407.90	-	\$0.00	17,653	\$407.90
b) NME Retiree & NME Spouse		2.92	\$1,036.33	-	\$0.00	6,245	\$1,036.33
c) NME Retiree & Child(ren)		1.78	\$632.35	-	\$0.00	738	\$632.35
d) NME Retiree & NME Spouse & Child(ren)		3.23	\$1,148.57	-	\$0.00	479	\$1,148.57
e) NME Retiree & ME Spouse		1.15	\$407.90	1.00	\$342.38	61	\$750.28
f) NME Retiree & ME Spouse & Child(ren)		1.78	\$632.35	1.00	\$342.38	-	\$974.74
g) ME Retiree		-	\$0.00	1.00	\$342.38	57,547	\$342.38
h) ME Retiree & NME Spouse		1.15	\$407.90	1.00	\$342.38	4,293	\$750.28
i) ME Retiree & Child(ren)		0.63	\$224.45	1.00	\$342.38	626	\$566.84
j) ME Retiree & NME Spouse & Child(ren)		1.78	\$632.35	1.00	\$342.38	300	\$974.74
k) ME Retiree & ME Spouse		-	\$0.00	2.00	\$684.77	24,318	\$684.77
l) ME Retiree & ME Spouse & Child(ren)		0.63	\$224.45	2.00	\$684.77	288	\$909.22
20 Rates Balance Confirmation			\$16,860,486		\$38,360,543		\$55,221,029

* Pharmacy Cost for Medicare has subtracted the RDS Subsidy.

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



Option 1 - Baseline (Cont.)

No Benefit or Rating Method Changes

CHEIRON

ASE Detailed Financials

H-scan

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys PPO & HD	No
If yes, % of PPO in Blend	90%
% to Blend Pharmacy	0%

ALLOCATED RESERVES (in \$millions)				
ASE -- PYE	2011	2012	2013	2014
Retiree NME - 12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME - 12/31	\$0.00	\$0.00	\$0.00	\$0.00

NME Rates Same as 2011	No
ME Rates Same as 2011	No

STATE/EMPLOYER FUNDING				
% for Ret NME	60%	60%	60%	60%
% for Ret Dep NME	40%	40%	40%	40%
% for Ret ME	60%	60%	60%	60%
% for Ret Dep ME	40%	40%	40%	40%

2012 vs. 2011

Retirees	Medical and Pharmacy	Expenses	Total Monthly Premium	State Contributions	Reserve Allocation	2012 Ret. Total Cost	2011 Ret. Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Non-Medicare Eligible										
Retiree Only	\$407.90	\$47.57	\$455.47	\$273.28	\$0.00	\$182.19	\$235.74	(\$53.55)	-23%	1,471
Retiree & NME SP	1,036.33	47.57	1,083.90	524.66	0.00	559.25	575.88	(16.63)	-3%	520
Retiree & Child(ren)	632.35	47.57	679.92	363.06	0.00	316.86	439.84	(122.98)	-28%	61
Retiree & NME SP&CH	1,148.57	47.57	1,196.14	569.55	0.00	626.59	916.72	(290.13)	-32%	40
Retiree & ME SP	750.28	47.57	797.85	410.24	0.00	387.62	401.54	(13.92)	-3%	5
Retiree & ME SP & CH	974.74	47.57	1,022.31	500.02	0.00	522.29	606.77	(84.48)	-14%	-
Est. Monthly Total (\$ mil)	\$1.2	\$0.1	\$1.3	\$0.7	\$0.0	\$0.6	\$0.7	(\$0.1)		2,098
Medicare Eligible										
Retiree Only	\$342.38	\$29.70	\$372.08	\$223.25	\$0.00	\$148.83	\$117.12	\$31.71	27%	4,796
Retiree & NME SP	750.28	29.70	779.98	410.24	0.00	369.75	446.72	(76.97)	-17%	358
Retiree & Child(ren)	566.84	29.70	596.54	313.03	0.00	283.51	314.86	(31.35)	-10%	52
Retiree & NME SP&CH	974.74	29.70	1,004.44	500.02	0.00	504.42	644.48	(140.06)	-22%	25
Retiree & ME SP	684.77	29.70	714.47	360.20	0.00	354.26	278.49	75.77	27%	2,026
Retiree & ME SP & CH	909.22	29.70	938.92	449.99	0.00	488.94	476.24	12.70	3%	24
Est. Monthly Total (\$ mil)	\$3.4	\$0.2	\$3.6	\$2.0	\$0.0	\$1.6	\$1.3	\$0.3		7,281
Total (Est. Monthly)	\$4.6	\$0.3	\$4.9	\$2.7	\$0.0	\$2.2	\$2.0	\$0.2		9,379
Total (Est. Annual)	\$55.2	\$3.8	\$59.0	\$32.5	\$0.0	\$26.5	\$24.5	\$2.0		

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



Option 1 – Baseline (Cont.)

PSE ACTIVE RATE DEVELOPMENT for CY2012

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Gold			Silver (based on Gold Actives)			Bronze		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	2/10 - 1/11	
	2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	2/10 - 2/11	
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
1 Total Incurred Medical & Rx Claims (Experience Period)	\$179,025,721	\$52,907,727	\$231,933,447	\$167,967,091	\$48,253,901	\$216,220,991	\$6,214,080	\$414,886	\$6,628,966
2 <u>Less High Cost Claims Above (Med/Rx)</u> \$100,000 \$20,000	<u>\$11,434,026</u>	<u>\$3,248,325</u>	<u>\$14,682,351</u>	<u>\$10,301,814</u>	<u>\$2,910,729</u>	<u>\$13,212,542</u>	<u>\$669,728</u>	<u>\$0</u>	<u>\$669,728</u>
3 Net Incurred Claims below Pooling Point [1 - 2]	\$167,591,695	\$49,659,402	\$217,251,097	\$157,665,277	\$45,343,172	\$203,008,449	\$5,544,351	\$414,886	\$5,959,238
4 <u>Person Months for Experience Period</u>	741,634	741,634	741,634	714,212	714,212	714,212	62,191	62,191	62,191
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$225.98	\$66.96	\$292.94	\$220.75	\$63.49	\$284.24	\$89.15	\$6.67	\$95.82
6 Change in Benefits During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
7 Change in Demographics or Risk During Experience Period	1.0009	1.0005		1.0010	1.0007		0.9869	0.9860	
8 Change in Geographic During Experience Period	0.9991	0.9991		0.9991	0.9991		1.0003	<u>1.0003</u>	
9 a) Annual Trend Rate	8.0%	5.5%		8.0%	5.5%		8.0%	5.5%	
b) Months to Trend	23	23		23	23		23	23	
c) <u>Trend Adjustment</u>	<u>1.1589</u>	<u>1.1081</u>		<u>1.1589</u>	<u>1.1081</u>		<u>1.1589</u>	<u>1.1081</u>	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$261.88	\$74.16	\$336.05	\$255.86	\$70.34	\$326.19	\$102.00	\$7.29	\$109.29
11 <u>Charge for Claims above Pooling Point PPPM</u>	<u>\$15.42</u>	<u>\$4.38</u>	<u>\$19.80</u>	<u>\$14.42</u>	<u>\$4.08</u>	<u>\$18.50</u>	<u>\$10.77</u>	<u>\$0.00</u>	<u>\$10.77</u>
12 Total Claims Charged PPPM [9 + 10]	\$277.30	\$78.54	\$355.85	\$270.28	\$74.41	\$344.69	\$112.77	\$7.29	\$120.06
13 Change in Future Benefits	1.0220	1.0000		0.9579	0.9006		1.0220	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0130	1.0126		0.9000	0.9000		1.0000	1.0000	
15 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
16 <u>Change in Future Network</u>	<u>0.9734</u>	<u>1.0000</u>		<u>1.0688</u>	<u>1.0000</u>		<u>1.0000</u>	<u>1.0000</u>	
17 Projected Incurred Claim PPPM [13x 14 x15x16]	\$279.43	\$79.53	\$358.97	\$249.04	\$60.31	\$309.36	\$115.25	\$7.29	\$122.54
18 Projected Blended Incurred Claim PPPM	n/a	\$72.88		n/a	\$65.63		n/a	\$54.54	
19 Percent to Use Blended Experience		0%			0%			0%	
20 Rating Incurred Claim PPPM [17 blended with 18]	\$279.43	\$79.53	\$358.97	\$249.04	\$60.31	\$309.36	\$115.25	\$7.29	\$122.54
21 <u>Projected Persons Months</u>	648,562	648,562	648,562	88,732	88,732	88,732	91,392	91,392	91,392
22 Projected Total Incurred Claims [20 x 21]	\$181,230,589	\$51,582,461	\$232,813,050	\$22,098,180	\$5,351,857	\$27,450,037	\$10,532,768	\$666,250	\$11,199,018
23 Conversion to Rating Tiers [20 x rating tier x counts]	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Ee Months</u>	<u>PEPM</u>	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Ee Months</u>	<u>PEPM</u>	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Ee Months</u>	<u>PEPM</u>
a) Employee Only	1.10	363,176	\$396.30	1.14	45,600	\$352.65	1.12	41,448	\$137.27
b) Employee & Spouse	3.28	16,901	\$1,176.69	3.38	1,808	\$1,047.08	3.30	3,168	\$404.52
c) Employee & Child(ren)	2.07	59,427	\$744.62	2.14	9,675	\$662.61	2.09	5,880	\$256.70
d) Family	3.29	20,900	\$1,180.90	3.40	2,916	\$1,050.83	3.31	6,696	\$405.99
e) Child(ren) of Medicare Retirees	0.97	192	\$348.32						
24 Rates Balance Confirmation		460,596	\$232,813,050		60,000	\$27,450,037		57,192	\$11,199,018

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

Option 1 – Baseline (Cont.)

No Benefit or Rating Method Changes



PSE Detailed Financials



CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NME Ret with Actives	Yes
Blend Novasys & HDPPPO	No
If yes, % to Blend (PSE)	0%
% to Blend Pharmacy (PSE)	0%

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2011	2012	2013	2014
Actives - 9/30	\$11.84	\$7.33	\$3.38	\$0.00
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$0.76	\$0.47	\$0.22	\$0.00
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	2011	2012	2013	2014
NME Ret. Blend Holdba	\$63.55	\$50.00		
Totaling (\$mil)		\$1.23		

2012 vs. 2011

Actives	Medical and Pharmacy*	Expenses	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2012 Total EE Cost	2011 Total EE Cost	Change in Premiums (\$/%)	Assumed Enrollment
Gold												
Employee Only	\$394.36	\$41.60	\$11.20	\$447.16	\$56.48	\$24.23	\$11.17	\$131.00	\$224.28	\$170.34	\$53.94 32%	28,322
Employee & Spouse	1,168.90	41.60	11.20	1,221.70	100.40	42.92	24.42	131.00	922.96	771.74	151.21 20%	1,217
Employee & Child(ren)	739.76	41.60	11.20	792.56	76.92	32.88	17.80	131.00	533.96	436.87	97.08 22%	4,942
Family	1,173.01	41.60	11.20	1,225.81	103.98	44.45	24.65	131.00	921.74	773.82	147.92 19%	1,736
Est. Monthly Total (\$mil)	\$18.3	\$1.5	\$0.4	\$20.2	\$2.3	\$1.0	\$0.5	\$4.7	\$11.7	\$9.3	\$2.4	36,217
Silver										(2011 HA)		
Employee Only	\$352.65	\$41.60	\$11.20	\$405.45	\$56.48	\$24.23	\$11.17	\$131.00	\$182.57	\$170.34	\$12.24 7%	3,800
Employee & Spouse	1,047.08	41.60	11.20	1,099.88	100.40	42.92	24.42	131.00	801.14	771.74	29.39 4%	151
Employee & Child(ren)	662.61	41.60	11.20	715.41	76.92	32.88	17.80	131.00	456.81	436.87	19.93 5%	806
Family	1,050.83	41.60	11.20	1,103.63	103.98	44.45	24.65	131.00	799.55	773.82	25.74 3%	243
Est. Monthly Total (\$mil)	\$2.3	\$0.2	\$0.1	\$2.6	\$0.3	\$0.1	\$0.1	\$0.7	\$1.4	\$1.3	\$0.1	5,000
Bronze												
Employee Only	\$137.27	\$41.60	\$11.20	\$190.07	\$56.48	\$24.23	\$11.17	\$131.00	(\$32.81)	\$15.10	(\$47.91) -317%	3,454
Employee & Spouse	404.52	41.60	11.20	457.32	100.40	42.92	24.42	131.00	158.58	333.10	(174.52) -52%	264
Employee & Child(ren)	256.70	41.60	11.20	309.50	76.92	32.88	17.80	131.00	50.90	155.36	(104.46) -67%	490
Family	405.99	41.60	11.20	458.79	103.98	44.45	24.65	131.00	154.71	333.70	(178.99) -54%	558
Est. Monthly Total (\$mil)	\$0.9	\$0.2	\$0.1	\$1.2	\$0.3	\$0.1	\$0.1	\$0.6	\$0.0	\$0.4	-\$0.4	4,766
Total (Monthly) (\$ mil)	\$21.5	\$1.9	\$0.5	\$23.9	\$2.9	\$1.3	\$0.6	\$6.0	\$13.1	\$11.0	\$2.2	45,983
Est Annual Total (\$ mil)	\$258.1	\$23.0	\$6.2	\$287.2	\$35.0	\$15.0	\$7.3	\$72.3	\$157.6	\$131.7	\$25.9	

*Rates reflect NME Retiree Blending holdback

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

Option 1 – Baseline (Cont.)

PSE RETIREE RATE DEVELOPMENT for CY2012

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Non-Medicare (combined with Actives)			Medicare	
	Medical	Pharmacy	Total	Medical	Total
	2/10 - 1/11	2/10 - 1/11		2/10 - 1/11	
	2/10 - 2/11	2/10 - 2/11		2/10 - 2/11	
1 Total Incurred Medical & Rx Claims (Experience Period)	\$179,025,721	\$52,907,727	\$231,933,447	\$9,140,621	\$9,140,621
2 <u>Less High Cost Claims Above (Med/Rx)</u> \$100,000 \$20,000	<u>\$11,434,026</u>	<u>\$3,248,325</u>	<u>\$14,682,351</u>	<u>\$143,707</u>	<u>\$143,707</u>
3 Net Incurred Claims below Pooling Point [1 - 2]	\$167,591,695	\$49,659,402	\$217,251,097	\$8,996,914	\$8,996,914
4 <u>Person Months for Experience Period</u>	741,634	741,634	741,634	<u>\$73,330</u>	73,330
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$225.98	\$66.96	\$292.94	\$122.69	\$122.69
6 Change in Benefits During Experience Period	1.0000	1.0000		1.0000	
7 Change in Demographics or Risk During Experience Period	1.0009	1.0005		0.9993	
8 Change in Geographic During Experience Period	0.9991	0.9991		1.0000	
9 a) Annual Trend Rate	8.0%	5.5%		7.5%	
b) Months to Trend	23	23		23	
c) <u>Trend Adjustment</u>	<u>1.1589</u>	<u>1.1081</u>		<u>1.1487</u>	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$261.88	\$74.16	\$336.05	\$140.84	\$140.84
11 <u>Charge for Claims above Pooling Point PPPM</u>	<u>\$15.42</u>	<u>\$4.38</u>	<u>\$19.80</u>	<u>\$1.96</u>	<u>\$1.96</u>
12 Total Claims Charged PPPM [9 + 10]	\$277.30	\$78.54	\$355.85	\$142.80	\$142.80
13 Change in Future Benefits	1.0220	1.0000		1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0130	1.0126		1.0000	
15 Change in Future Geographic	1.0000	1.0000		1.0000	
16 <u>Change in Future Network</u>	<u>0.9734</u>	<u>1.0000</u>		<u>1.0000</u>	
17 Projected Incurred Claim PPPM [13x 14 x15x16]	\$279.43	\$79.53	\$358.97	\$142.80	\$142.80
18 <u>Projected Persons Months</u>	648,562	648,562	648,562	78,168	78,168
19 Projected Total Incurred Claims [17 x 18]	\$181,230,589	\$51,582,461	\$232,813,050	\$11,162,261	\$11,162,261

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



Option 1 – Baseline (Cont.)

PSE RETIREE RATE DEVELOPMENT for CY2012

	PPPM [17]	<u>x Non-Med.</u> <u>tier factor</u>	<u>Non-Med.</u> <u>PEPM</u>	<u>x Medicare</u> <u>tier factor</u>	<u>Medicare</u> <u>PEPM</u>	<u>Projected</u> <u>Ret Months</u>	<u>TOTAL</u> <u>PEPM</u>
20 Conversion to Rating Tiers							
a) NME Retiree		1.10	\$396.30	-	\$0.00	22,116	\$396.30
b) NME Retiree & NME Spouse		3.28	\$1,176.69	-	\$0.00	2,292	\$1,176.69
c) NME Retiree & Child(ren)		2.07	\$744.62	-	\$0.00	84	\$744.62
d) NME Retiree & NME Spouse & Child(ren)		3.29	\$1,180.90	-	\$0.00	72	\$1,180.90
e) NME Retiree & ME Spouse		1.10	\$396.30	1.00	\$142.80	-	\$539.10
f) NME Retiree & ME Spouse & Child(ren)		2.07	\$744.62	1.00	\$142.80	-	\$887.42
g) ME Retiree		-	\$0.00	1.00	\$142.80	63,636	\$142.80
h) ME Retiree & NME Spouse		1.10	\$396.30	1.00	\$142.80	1,200	\$539.10
i) ME Retiree & Child(ren)		0.97	\$348.32	1.00	\$142.80	168	\$491.12
j) ME Retiree & NME Spouse & Child(ren)		2.07	\$784.59	1.00	\$142.80	36	\$927.39
k) ME Retiree & ME Spouse		-	\$0.00	2.00	\$285.60	6,540	\$285.60
l) ME Retiree & ME Spouse & Child(ren)		0.97	\$348.32	2.00	\$285.60	24	\$633.92
20 Rates Balance Confirmation			<u>\$12,179,862</u>		<u>\$11,162,261</u>		<u>\$23,342,123</u>

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

Option 1 – Baseline (Cont.)

No Benefit or Rating Method Changes

CHEIRON

PSE Detailed Financials

H-scan

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPPO	No
If yes, % to Blend (PSE)	0%
% to Blend Pharmacy (All)	0%
Blend NME with ALL Act	No
Blend Large Claims	No

ALLOCATED RESERVES (in \$ millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$11.84	\$7.33	\$3.38	\$0.00
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$0.76	\$0.47	\$0.22	\$0.00
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	2010	2011	2012	2013
NME Ret. Blending Hold	\$63.55	\$50.00		

2012 vs. 2011

Retirees	Medical and Pharmacy*	Expenses	Retirement Subsidy	Total Monthly Premium	Subsidy from Actives	Reserve Allocation			2012 Total Ret. Cost	2011 Total Ret. Cost	Change in Premiums (\$/%)	Assumed Enrollment
Non-Medicare Eligible												
Retiree Only	\$446.30	\$41.60		\$487.90	\$0.00	\$0.00			\$487.90	\$457.42	\$30.49 7%	1,843
Retiree & NME SP	1,226.69	41.60		1,268.29	0.00	0.00			1,268.29	1,152.01	\$116.28 10%	191
Retiree & Child(ren)	794.62	41.60		836.22	0.00	0.00			836.22	768.28	\$67.94 9%	7
Retiree & NME SP&CH	1,230.90	41.60		1,272.50	0.00	0.00			1,272.50	1,159.82	\$112.67 10%	6
Retiree & ME SP	589.10	41.60		630.70	0.00	0.00			630.70	596.82	\$33.88 6%	-
Retiree & ME SP & CH	937.42	41.60		979.02	0.00	0.00			979.02	907.71	\$71.31 8%	-
Est. Monthly Total (\$mil)	\$1.1	\$0.1	\$0.0	\$1.2	\$0.0	\$0.0			\$1.2	\$1.1	\$0.1	2,047
Medicare Eligible												
Retiree Only	\$142.80	\$29.70		\$172.50	\$87.56	\$6.66			\$78.28	\$41.44	\$36.84 89%	5,303
Retiree & NME SP	589.10	29.70		618.80	-	0.00			618.80	568.37	\$50.43 9%	100
Retiree & Child(ren)	491.12	29.70		520.82	30.63	2.33			487.86	421.17	\$66.69 16%	14
Retiree & NME SP&CH	937.42	29.70		967.12	-	0.00			967.12	877.42	\$89.70 10%	3
Retiree & ME SP	285.60	29.70		315.30	92.07	7.00			216.22	170.59	\$45.63 27%	545
Retiree & ME SP & CH	633.92	29.70		663.62	35.15	2.67			625.80	550.32	\$75.48 14%	2
Est. Monthly Total (\$mil)	\$1.0	\$0.2		\$1.2	\$0.5	\$0.0			\$0.6	\$0.4	\$0.2	5,967
Total (Est. Monthly)	\$2.1	\$0.3	\$0.0	\$2.3	\$0.5	\$0.0	\$0.0	\$0.0	\$1.8	\$1.5	\$0.3	8,014
Total (Est. Annual)	\$24.6	\$3.1	\$0.0	\$27.8	\$6.2	\$0.5	\$0.0	\$0.0	\$21.1	\$17.5	\$3.7	

*Rates reflect NME Retiree Blending holdback

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



Rating Options

What to Blend:

- 1) Do you want to blend experience between benefit options for determining rates?
- 2) Do you want to blend gains / losses between benefit options?

Blending Options:

- ASE vs PSE
- Gold / Silver / Bronze
- Medical / Pharmacy

If Blending, do you want total rates and/or employee contributions to reflect:

- Demographic/risk differences
- Geographic differences
- Network differences

Answers will affect allocation of State & Reserve dollars



Appendices



Appendix A – ASE Actives 2011 Final Rate Details

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	



Appendix A – ASE Retirees 2011 Final Rate Details

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 A – PSE Actives

10/1/10-12/31/12 Final Rate Details

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	



Appendix A – PSE Retirees 2011 Final Rate Details

Retirees	Medical	Prescription Drug	Corp Health		Total Monthly Premium	Subsidy from Active Employees	Reserve Allocation			2010 Total Cost	2009 Total Cost	Change in Retiree 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	-				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	-				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

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, starting from 1/1/2012 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 and expected vendor fees plus estimated EBD expenses.

Total Rate Projection Assumptions:

Population Projection: Same as Enrollment on 3/31/2011

Investment return*: 0%

ASE / PSE Annual Trend*:	<u>Medical</u>	<u>Behavioral Health</u>	<u>Pharmacy</u>	<u>Life</u>	<u>Expenses</u>
Non-Medicare:	8.00%	0.00%	5.50%	0.00%	0.00%
Medicare:	7.50%	0.00%	5.50%	0.00%	0.00%

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

ASE / PSE Benefit Ratio: As Shown on Rating Worksheet

ASE / PSE Change in Geo Factors: As Shown on Rating Worksheet

ASE / PSE Change in Demo Factors: As Shown on Rating Worksheet

ASE / PSE Change in Network: As Shown on Rating Worksheet

Expenses:	Per Subscriber Per Month	Actives	Actives	Retirees	Retirees	EBD*
		<u>Health Advantage</u>	<u>NovaSys</u>	<u>Non-Medicare</u>	<u>Medicare</u>	
	ASE 2010	\$27.13	\$13.90	\$20.74	\$15.41	\$8.34
	ASE 2011	\$27.53	\$13.90	\$20.74	\$15.41	\$7.80
	ASE 2012	\$29.70	\$29.70	\$29.70	\$29.70	\$16.72
	PSE 2010	\$27.13	\$13.90	\$20.74	\$15.41	\$6.21
	PSE 2011	\$27.53	\$13.90	\$20.74	\$15.41	\$9.26
	PSE 2012	\$29.70	\$29.70	\$29.70	\$29.70	\$10.41

* Assumed to include UAM expenses (both Rx and Medical), EAP, weight management, smoking cessation, and Integrail cost. This applies to Actives for 2010, and for Actives & NME retirees thereafter.

Rx Rebates: None Assumed

Part D Subsidy: The Part D Subsidy is assumed to be approximately 15.5% of Incurred Rx Claims

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



Appendix B

Assumptions & Methods (Cont.)

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.

ASE / PSE Paid-to-Date Claims:

Health Advantage: Service dates from January 1, 2010 to December 31, 2010 and process dates from January 1, 2009 to February 28, 2011.
 NovaSys: Service dates from January 1, 2010 to February 28, 2011 and process dates from January 1, 2009 to February 28, 2011.
 Pharmacy: Service dates from January 1, 2010 to February 28, 2011 and process dates from January 1, 2009 to February 28, 2011.

ASE / PSE Completion Factors:

Health Advantage: We used the data from lag reports with service dates from January 1, 2008 to February 28, 2011 and process dates from January 1, 2008 to February 28, 2011 to develop the completion factors.
 NovaSys: We used the individual claims database with service dates from January 1, 2008 to February 28, 2011 and process dates from January 1, 2008 to February 28, 2011 to develop the completion factors. We aggregated 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 February 28, 2011 and process dates from January 1, 2008 to February 28, 2011 to develop the completion factors. We aggregated the data by network provider and major rate structure (Actives, Non-Medicare Retirees v. Medicare Retirees)

ASE		<u>Health Advantage</u>	<u>NovaSys</u>	<u>HD PPO</u>	<u>Pharmacy</u>	<u>ARHealth Non-</u>	<u>Pharmacy Non-</u>	<u>ARHealth Medicare</u>	<u>Pharmacy</u>
						<u>Medicare Retirees</u>	<u>Medicare Retirees</u>	<u>Retirees</u>	<u>Medicare Retirees</u>
	January-10	0.999	0.994	0.978	1.000	1.000	1.000	0.997	1.000
	February-10	0.999	0.992	0.977	1.000	0.999	1.000	0.996	1.000
	March-10	0.998	0.991	0.973	1.000	0.998	0.999	0.996	1.000
	April-10	0.998	0.990	0.973	1.000	0.998	0.999	0.995	1.000
	May-10	0.996	0.988	0.969	1.000	0.997	0.998	0.993	1.000
	June-10	0.995	0.984	0.967	1.000	0.997	0.997	0.990	1.000
	July-10	0.995	0.982	0.963	1.000	0.986	0.996	0.988	1.000
	August-10	0.993	0.976	0.951	0.999	0.986	0.996	0.984	0.999
	September-10	0.988	0.967	0.920	0.999	0.980	0.995	0.972	0.999
	October-10	0.978	0.956	0.898	0.999	0.972	0.994	0.962	0.999
	November-10	0.946	0.906	0.854	0.999	0.959	0.993	0.941	0.998
	December-10	0.896	0.865	0.821	0.999	0.912	0.992	0.894	0.998
	January-11	0.755	0.686	0.658	0.999	0.763	0.991	0.661	0.997
	February-11	0.252	0.191	0.162	0.999	0.237	0.991	0.048	0.997

PSE		<u>Health Advantage</u>	<u>NovaSys</u>	<u>HD PPO</u>	<u>Pharmacy</u>	<u>ARHealth Non-</u>	<u>Pharmacy Non-</u>	<u>ARHealth Medicare</u>	<u>Pharmacy</u>
						<u>Medicare Retirees</u>	<u>Medicare Retirees</u>	<u>Retirees</u>	<u>Medicare Retirees</u>
	January-10	0.998	0.999	0.994	1.000	0.996	1.000	0.999	1.000
	February-10	0.998	0.999	0.994	1.000	0.995	1.000	0.998	1.000
	March-10	0.998	0.997	0.992	1.000	0.995	1.000	0.984	1.000
	April-10	0.997	0.996	0.992	1.000	0.991	1.000	0.982	1.000
	May-10	0.996	0.995	0.991	1.000	0.990	1.000	0.981	1.000
	June-10	0.993	0.993	0.989	1.000	0.989	1.000	0.979	1.000
	July-10	0.992	0.992	0.986	1.000	0.985	1.000	0.972	1.000
	August-10	0.990	0.988	0.978	1.000	0.982	1.000	0.967	1.000
	September-10	0.984	0.984	0.965	0.999	0.970	1.000	0.959	1.000
	October-10	0.972	0.977	0.919	0.999	0.955	1.000	0.949	1.000
	November-10	0.951	0.964	0.893	0.999	0.940	1.000	0.928	1.000
	December-10	0.889	0.928	0.811	0.999	0.894	1.000	0.882	1.000
	January-11	0.743	0.774	0.645	0.999	0.745	1.000	0.670	1.000
	February-11	0.244	0.228	0.166	0.999	0.250	1.000	0.049	1.000

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



Appendix B

Assumptions & Methods (Cont.)

Rating Tier Methodology:

To develop the rates by family status, we take the prior approved rating tier factors and multiply them by a factor to adjust for the current enrollment selection for each of the major groupings: Active - Health Advantage, Actives: NovaSys, Actives - HD PPO, Non-Medicare Retirees, and Medicare Retirees. We further adjusted the mixed split with a Medicare and Non-Medicare covered adult to be the same.

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:

	<u>Actives</u>	<u>Retirees</u>		
Previously adopted reserves allocations:				
ASE / PSE 2010:	\$0.00	\$0.00		
ASE / PSE 2011:	\$0.00	\$0.00		
ASE / PSE 2012:	\$0.00	\$0.00		
<u>ASE</u>				
State Contribution per Budget Position per Month:	\$390		<u>PSE</u>	
Interest Income:	\$0		District Contribution per Enrolled per Month:	\$131
			Additional State Contributions (in Millions):	\$50
			Interest Income:	\$0

* Unless otherwise shown in the screen capture.

Standard 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.

Results presented in this presentation are preliminary and should not be used for final rates.



Appendix B

Assumptions & Methods (Cont.)

Annual Trend*:	<u>Health</u>			<u>ARHealth Retirees</u>	<u>Behavioral</u>			
	<u>Advantage</u>	<u>NovaSys</u>	<u>HD PPO</u>		<u>Health</u>	<u>Pharmacy</u>	<u>Life</u>	<u>Expenses</u>
Non-Medicare:	8.00%	8.00%	8.00%	Use either Medicare or Non-Medicare Factors	0.00%	8.50%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%		0.00%	8.50%	0.00%	0.00%
Large Claims:	0.00%	0.00%	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: 1.27%
(with retirees the trend rate is even lower)
- 2 Rx Incurred All Plan Cost CY09 v. CY08: 1.17%

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:

	<u>Annualized</u>	<u>Period</u>		<u>Rx</u>	<u>Cost</u>
	<u>Rate</u>	<u>Factor</u>			<u>Weights</u>
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%

* Includes shifts in utilization

Appendix C – Detail Trend Analysis

AR Health - Preliminary ASE Trend Development

Experience Period:	A	B	C	D	E	F	G	H	I		Used for	Recommended
	CY2010/ CY2009	CY2010/ CY2009	CY2010/ CY2009	01/11 v 01/10	01/11 v 01/10	CY2010/ CY2009	CY2010/ CY2009	same as F CY2010/ CY2009	same as G PY2011/ PY 2010	PY11/PY10 Adjustment	CY 2011 rates	CY 2012 rates
Type of Claims:	Paid PMPM Actual	Incurred PMPM Actual	Incurred Benefit Changes*	Incurred Demo Changes	Incurred Geo Changes	Underlying Incurred Util & Price Trend	Incurred Potential Future Trend	Underlying Paid Util & Price Trend	Paid Potential Future Trend	Marketplace Potential & Other Factors	Incurred Annual Trend Assumption	Incurred Annual Trend Assumption
Medical - Actives and NME Retirees												
1 Health Advantage	5.4%	8.0%	0.9%	-0.6%	0.0%	7.6%	7.0%	5.0%	4.4%			
2 Novasys	-12.1%	7.3%	0.9%	-0.6%	0.1%	7.0%	6.4%	-12.4%	-12.8%			
3 Novasys HD	26.1%	-2.4%	0.9%	0.5%	-0.1%	-3.6%	-3.2%	24.5%	24.9%			
4 Medical - Actives and NME	4.6%	7.8%	0.9%	-0.5%	0.0%	7.4%	6.8%	4.2%	3.7%			
5 Medical - ME Retirees	6.3%	8.8%	0.0%	0.0%	0.0%	8.8%	8.8%	6.4%	6.3%	2.5%	5.0%	8.0%
6 Rx - Actives and NME Retirees**	0.0%	3.5%	0.0%	-0.6%	0.0%	4.1%	3.5%	0.6%	0.0%	3.0%	8.5%	5.5%

* based on adjustment factors for plan years (starting 10/1) for Actives and calendar year changes for Retirees from previous Milliman rating work.

** blended based on medical claims

AR Health - Preliminary PSE Trend Development

Experience Period:	A	B	C	D	E	F	G	H	I		Used for	Recommended
	CY2010/ CY2009	CY2010/ CY2009	CY2010/ CY2009	01/11 v 01/10	01/11 v 01/10	CY2010/ CY2009	CY2010/ CY2009	same as F CY2010/ CY2009	same as G PY2011/ PY 2010	PY11/PY10 Adjustment	CY 2011 rates	CY 2012 rates
Type of Claims:	Paid PMPM Actual	Incurred PMPM Actual	Incurred Benefit Changes*	Incurred Demo Changes	Incurred Geo Changes	Underlying Incurred Util & Price Trend	Incurred Potential Future Trend	Underlying Paid Util & Price Trend	Paid Potential Future Trend	Marketplace Potential & Other Factors	Incurred Annual Trend Assumption	Incurred Annual Trend Assumption
Medical - Actives and NME Retirees												
1 Health Advantage	3.5%	5.0%	0.9%	-0.1%	-0.1%	4.3%	4.1%	2.8%	2.6%			
2 Novasys	10.4%	16.9%	0.9%	1.9%	-0.2%	14.0%	15.9%	7.6%	9.4%			
3 Novasys HD	-4.5%	3.9%	0.9%	1.1%	0.0%	1.8%	3.0%	-6.4%	-5.3%			
4 Medical - Actives and NME	4.0%	6.3%	0.9%	0.2%	-0.1%	5.2%	5.3%	3.0%	3.1%			
5 Medical - ME Retirees	2.4%	5.5%	0.0%	-0.1%	0.0%	5.6%	5.5%	2.5%	2.4%	2.5%	5.0%	8.0%
6 Rx - Actives and NME Retirees**	-0.9%	2.3%	0.0%	0.2%	-0.1%	2.2%	2.3%	-1.0%	-0.9%	3.0%	8.5%	5.5%

* based on adjustment factors for plan years (starting 10/1) for Actives and calendar year changes for Retirees from previous Milliman rating work.

** blended based on medical claims



Appendix D - Gain / Loss

Reconciliation of CY 2010 ASE Net Income/(Loss)

- From the December 2010 Financial Report (Year-to-date)

	<u>\$ in Millions</u>
Net Income/(Loss)	\$ 22.8
Reserves Allocated	-
Net Income/(Loss) After Reserves	\$ 22.8

- Where did the \$22.8 million come from?

Items that are not assumed to repeat

Net Income/(Loss) from Retirees	\$ 2.6
Investment, penalties, other unanticipated income	<u>\$ 6.6</u>
TOTAL	\$ 9.2

Items that may affect 2012 rates

Medical experience better than projected from 2008	\$ 7.2
Pharmacy experience better than projected from 2008	\$ 7.3
Behavioral Health premiums above projected from 2008	<u>\$ 1.6</u>
TOTAL	\$ 16.1
<i>Percent of 2010 expenses</i>	6.7%

GRAND TOTAL	<u>\$ 22.8</u>
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Appendix D - Gain / Loss (Cont.)

Reconciliation of 2009-2010 PSE Net Income/(Loss)

- From the September 2010 Financial Report (Year-to-date)

	<u>\$ in Millions</u>
Net Income/(Loss)	\$ (1.5)
Reserves Allocated	6.5
Net Income/(Loss) After Reserves	\$ 5.0

- Where did the \$5.0 million come from?

Items that are not assumed to repeat

Active Enrollment different from projected	\$ (1.3)
Net Income from Retirees	\$ 0.9
Investment, penalties, other unanticipated income	\$ 3.7
TOTAL	\$ 3.3

Items that may affect 2012 rates

Medical experience worse than projected from 2008	\$ (1.3)
Pharmacy experience better than projected from 2008	\$ 2.2
Behavioral Health premiums lower than projected from 2008	\$ 0.9
TOTAL	\$ 1.8
<i>Percent of 2009-10 expenses</i>	0.7%

GRAND TOTAL	\$ 5.0
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