

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
March 9, 2012**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on March 9, 2012 in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

Becky Walker
Janis Harrison
Carla Wooley
Jeff Altemus
Lloyd Black
Gwen Wiggins

Members Absent

Bob Alexander

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

Others Present:

John Colberg, Cheiron; George Platt, Michelle Hazelett, Marla Wallace, Doug Shackelford, Lori Eden, Pam Lawrence, Sherry Bryant, Sherri Saxby, Brad Campbell, Melida Vasquez, Janna Keathley, Cathy Harris, EBD; Ronda Hill, ACHI-EBD; Ron DeBerry, Barbara Melugin, David Bridges, ABCBS/Health Advantage; BJ Himes, Andra Kaufman, QualChoice; Marc Watts, AR State Employee Association; John Greer, Greer Consulting; George Burks, USable; Shonda Rocke, Alicia Hayden, InformedRx

Call to Order

The meeting was called to order by Becky Walker, Chair

Approval of Minutes

A request was made by Walker to approve the August 5, 2011 minutes. Harrison made the motion to adopt. Black seconded. All were in favor. Minutes approved.

BSPW REPORT *by George Platt*

Platt reported the workgroup has met twice since the Benefits committee last convened; January 12th and March 6th. Platt said the workgroup have been discussing plan year updates, Request for Proposals (RFP) & Life insurance.

Platt presented one recommendation to the committee for consideration.

Recommendation: Life Insurance Proposal for the BSPW

1. There would be one life insurance pool made up of all members (allocation of billing to ASE, PSE, etc., would be done internally using the same admin fee process used for other benefits coordinators)
2. The benefit would be defined as follows:
 - Basic Life (Mandated for all employees) \$10,000 paid by employee unless employer chooses to cover. No medical underwriting with a flat rate.
 - Additional Basic Life Amount \$30,000 paid by employee no medical underwriting if done at initial enrollment with a flat rate.
 - Supplemental up to \$250,000 paid by employee with medial underwriting and age banded.
 - Dependent up to \$40,000 paid by employee with medical underwriting and flat rate.

A discussion ensued.

Harrison made the motion to accept. Wooley seconded. All were in favor. Motion carried.

2011 PLAN YEAR MONITORING *by John Colberg, Cheiron*

Colberg presented a monitoring report for AR State Employees (ASE) and Public School Employees (PSE) for plan year 2011.

Colberg reported on the total plan experience, enrollment, claims, expense details, contributions, reserves and plan changes.

No action was taken by the committee.

Meeting adjourned.



AGENDA

State and Public School Life and Health Insurance Board

Benefits Sub-Committee

EBD Board Room - 501 Building - 5th Floor

March 9, 2012 9:00 a.m.

1. **Call to Order***Becky Walker, Chair*
2. **Approval of Minutes***Becky Walker, Chair*
3. **BSPW Report***George Platt, Chief Operations Officer*
4. **2011 Financial Monitoring**.....*John Colberg, Cheiron*
5. **Director's Report***Jason Lee, Executive Director*

Upcoming Meetings
April 13th

Life Insurance Proposal for the BSPW

1. There would be one life insurance pool made up of all members (allocation of billing to ASE, PSE, etc. would be done internally using the same admin fee process used for other benefits coordinators)
2. The benefit would be defined as follows:

	Amount	Paid By	Medical Underwriting	Method for Rating
Basic Life (Mandated for all employees)	\$10,000	Employee unless Employer chooses to cover	No	Flat Rate
Additional Basic Life	\$30,000	Employee	No if done at initial enrollment	Flat Rate
Supplemental	Up to \$250,000	Employee	Yes	Age Banded
Dependent	Up to \$40,000	Employee	Yes	Flat Rate



Arkansas State Employee (ASE)

**Monitoring Report
through December 31, 2011**

**Presented on
March 9, 2012**



Classic Values, Innovative Advice

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Comments

- Assets continued to grow through the end of calendar year 2011.
- Active participation has decreased slightly from that used in developing the 2012 rates. Retiree participation has increased. Fewer participants elected silver and bronze than assumed.
- Both income and expenditures were higher than projected. A slightly higher portion of participants with dependent coverage is a contributing factor.

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 2011 - 1/01/11 - 12/31/11 -		Plan Year 2012 - 1/01/12 - 12/31/12 -	
	Actual	Projected ¹	Projected ²	Projected ¹
ACCOUNTING BASIS				
Employer Contributions	\$ 162.7	\$ 162.9	\$ 161.5	\$ 161.5
Participant Contributions & Rebates ³	97.8	85.6	89.5	88.0
Other Income	-	-	-	-
TOTAL INCOME	\$ 260.5	\$ 248.5	\$ 251.0	\$ 249.5
Claims Paid + IBNR Change	(235.3)	(233.9)	(255.3)	(253.4)
Expenses	(15.2)	(13.9)	(16.1)	(15.6)
TOTAL EXPENDITURES	\$ (250.5)	\$ (247.8)	\$ (271.4)	\$ (269.0)
NET PLAN GAIN / (LOSS)	\$ 10.0	\$ 0.7	\$ (20.4)	\$ (19.5)
INCURRED BASIS				
TOTAL INCOME	\$ 260.5	\$ 248.5	\$ 251.0	\$ 249.5
Claims Incurred	(239.3)	(234.5)	(256.1)	(256.2)
Expenses	(15.2)	(13.9)	(16.1)	(15.6)
TOTAL EXPENDITURES INCURRED	\$ (254.5)	\$ (248.4)	\$ (272.2)	\$ (271.8)
NET CHANGE	\$ 6.0	\$ 0.1	\$ (21.2)	\$ (22.3)
PLAN ASSETS				
Net Assets (Prior to IBNR)	\$ 118.3	\$ 104.3	\$ 100.0	\$ 89.5
IBNR Reserve	(24.3)	(24.9)	(26.2)	(27.5)
Other Allocated Reserves	(46.2)	(9.6)	(27.6)	(27.6)
NET ASSETS AVAILABLE	\$ 47.8	\$ 69.8	\$ 46.2	\$ 34.4
ENROLLMENT				
Active Employees (includes COBRA)	27,701	27,683	28,034	28,200
Retirees	9,143	8,983	9,395	9,300
Total Employees Enrolled	36,844	36,666	37,429	37,500
TOTAL INCOME PEPM	\$ 589	\$ 565	\$ 559	\$ 554
TOTAL EXPENDITURES PEPM	\$ (576)	\$ (565)	\$ (606)	\$ (604)

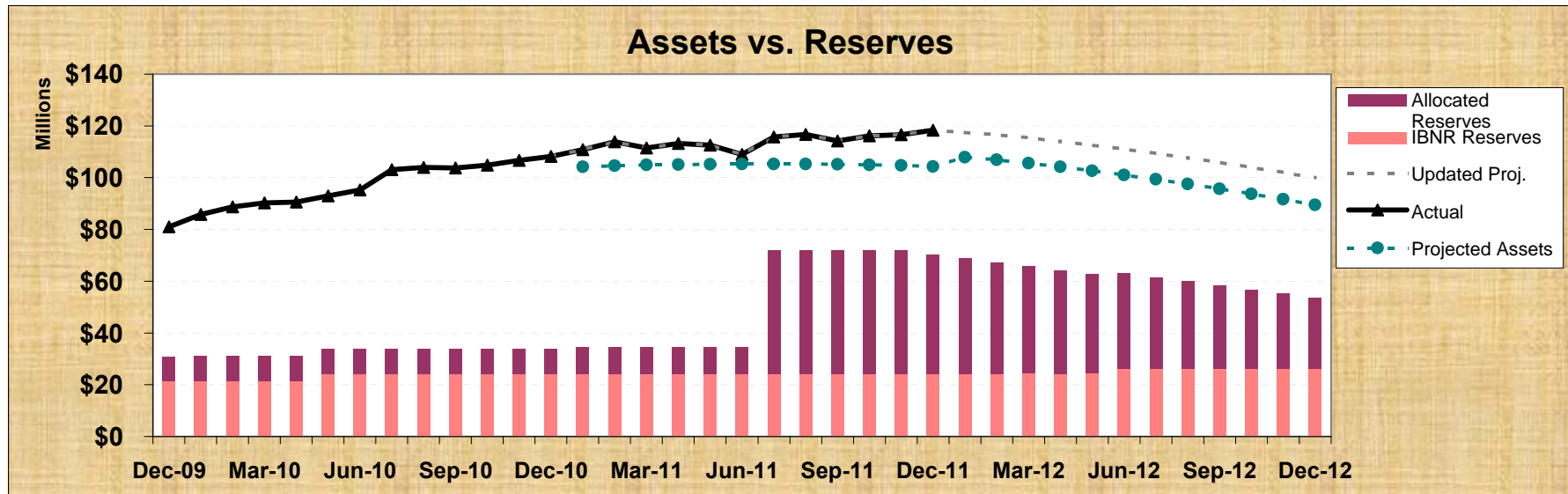
¹ Projections are those done when setting the rates for the applicable plan year.

² Updated Projections reflect updated participant count and asset information.

³ 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 (solid line) compared to projected assets (dotted lines) and target reserve levels (bars). Projected assets represent the projections used to set the rates. The updated projections reflect asset experience and participant changes since those rates were set (June 2011). The average cost per rating tier has not been updated.

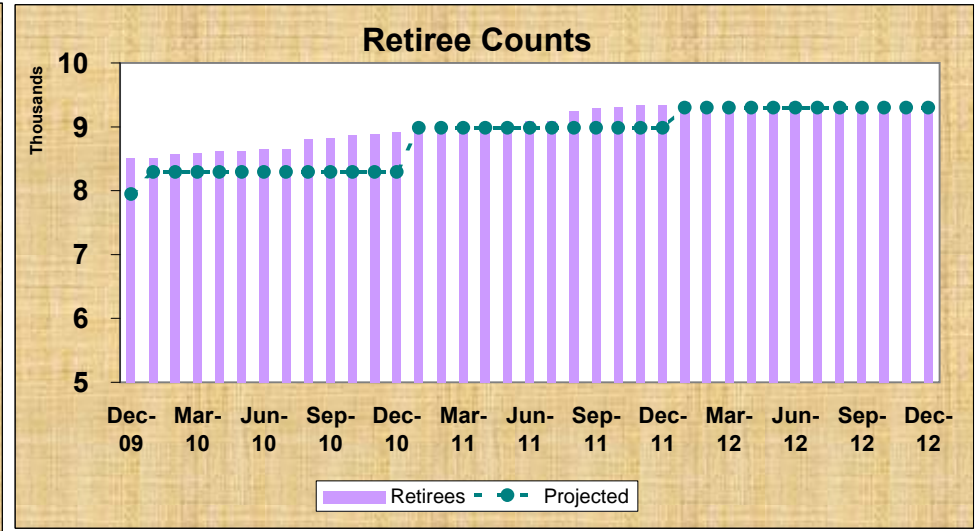
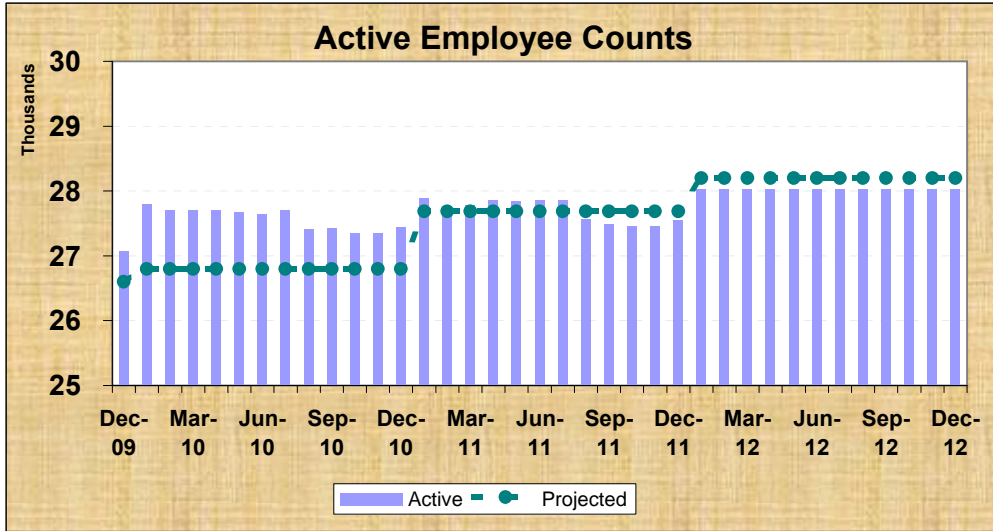


(In Millions \$)	As of	12/31/2009	12/31/2010	12/31/2011	Projected 12/31/2012
Net Assets before IBNR	\$	81.0	\$ 108.2	\$ 118.3	\$ 100.0
IBNR Reserve		(21.5)	(24.3)	(24.3)	(26.2)
Allocated Reserves*		(9.4)	(9.6)	(46.2)	(27.6)
Net Assets Available	\$	50.1	\$ 74.3	\$ 47.8	\$ 46.2
Projected Assets		#N/A	#N/A	\$ 104.3	\$ 89.5
Projected IBNR Reserve		#N/A	#N/A	\$ (24.9)	(27.5)
Projected Allocated Reserves		#N/A	#N/A	(9.6)	(27.6)
Projected Net Assets		#N/A	#N/A	\$ 69.8	\$ 34.4

Plan Year Ending	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Funding	\$ 247.1	\$ 262.3	\$ 260.5	\$ 251.0
Expenses	223.1	239.5	250.4	271.3
Net Income / (Loss)	\$ 24.0	\$ 22.8	\$ 10.1	\$ (20.3)
Projected Net Income / (Loss)	\$ (8.0)	\$ -	\$ 0.1	\$ (22.2)

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

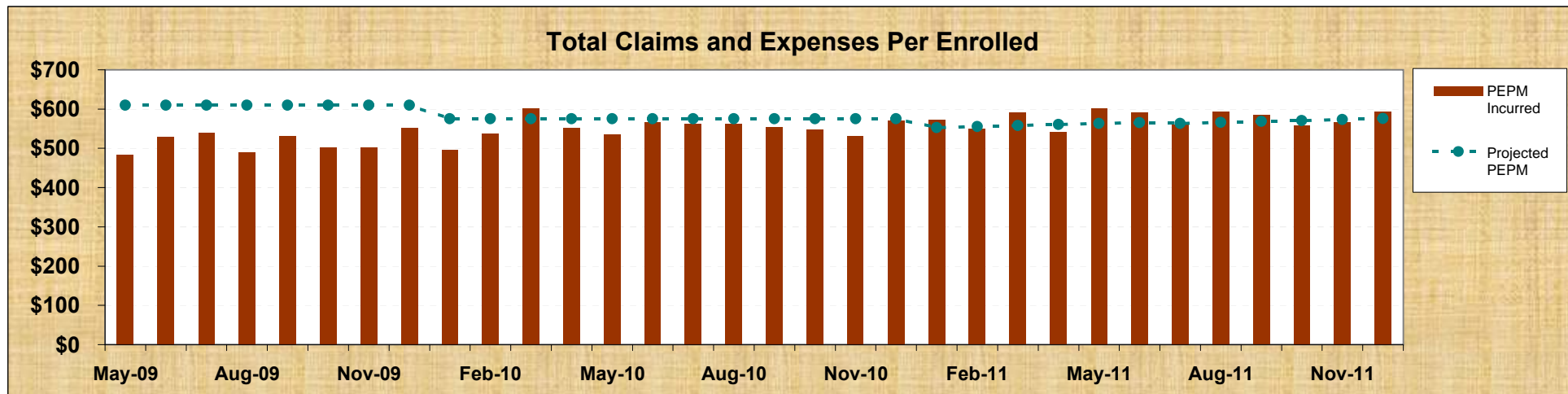
Enrollment



Average for Year Ending		12/31/2009	12/31/2010	12/31/2011	2012 Plan	Projected 12/31/2012
Actives (includes COBRA contracts)	Health Advantage	24,751	25,419	25,729	Gold	26,286
	NovaSys	1,285	1,225	905	Silver	373
	NovaSys HD	849	935	1,067	Bronze	1,375
	Total	26,885	27,579	27,701		28,034
	Projected	26,597	26,797	27,683		28,200
Retirees (includes Surviving Spouses)	Non-Medicare Retirees	1,873	2,111	2,260	Gold	2,267
					Silver	2
					Bronze	12
	Medicare Retirees	6,491	6,600	6,883	Gold	7,114
	Total	8,364	8,711	9,143		9,395
Projected	7,944	8,294	8,983		9,300	
Total Counts		35,249	36,289	36,844		37,429
Total Projected		34,541	35,091	36,666		37,500

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>3/31/2010</u>	<u>6/30/2010</u>	<u>9/30/2010</u>	<u>12/31/2010</u>	<u>Prior 12 Months</u>	<u>3/31/2011</u>	<u>6/30/2011</u>	<u>9/30/2011</u>	<u>12/31/2011</u>	<u>Last 12 Months</u>
Total Incurred (In Millions \$)										
Total Claims & Expenses	\$ 59.4	\$ 60.0	\$ 60.9	\$ 59.9	\$ 240.2	\$ 63.1	\$ 64.0	\$ 64.1	\$ 63.3	\$ 254.5
- Change	4.1	0.6	0.9	(1.0)	22.9	3.1	1.0	0.1	(0.8)	14.3
Projected	\$ 60.6	\$ 60.6	\$ 60.6	\$ 60.6	\$ 242.3	\$ 61.1	\$ 61.9	\$ 62.2	\$ 63.1	\$ 248.4
- Change	(2.6)	-	-	-	(10.5)	0.5	0.8	0.3	0.8	6.1
Actual vs. Projected	\$ (1.2)	\$ (0.6)	\$ 0.4	\$ (0.6)	\$ (2.1)	\$ 1.9	\$ 2.1	\$ 1.9	\$ 0.2	\$ 6.1

Per Enrolled Basis										
Total Claims & Expenses	\$ 545.23	\$ 550.81	\$ 559.78	\$ 550.71	\$ 551.63	\$ 571.21	\$ 578.09	\$ 579.85	\$ 573.37	\$ 575.63
% Change	5.0%	1.0%	1.6%	3.7%	7.3%	3.5%	1.2%	0.3%	(1.1%)	4.4%
Projected	\$ 575.36	\$ 575.36	\$ 575.36	\$ 575.36	\$ 575.36	\$ 555.49	\$ 563.03	\$ 565.84	\$ 573.52	\$ 564.47
% Change	(5.6%)	0.0%	0.0%	(3.5%)	(5.6%)	(3.5%)	1.4%	0.5%	1.4%	(1.9%)

Claim & Expense Details - Incurred Claims by Vendor

		3/31/2010	6/30/2010	9/30/2010	12/31/2010	Prior 12 Months	3/31/2011	6/30/2011	9/30/2011	12/31/2011	Last 12 Months
TOTAL (\$000s)	Actual Incurred Claims	\$ 59,368	\$ 59,991	\$ 60,925	\$ 59,937	\$ 240,221	\$ 63,048	\$ 64,020	\$ 64,102	\$ 63,331	\$ 254,501
	Projected	60,570	60,570	60,570	60,570	242,278	61,103	61,933	62,242	63,086	248,363
	Actual vs. Projected	(1,202)	(579)	355	(633)	(2,057)	1,945	2,087	1,860	245	6,138
Health Advantage	Actual Incurred Claims	\$ 29,242	\$ 29,992	\$ 31,320	\$ 29,673	\$ 120,227	\$ 31,099	\$ 31,890	\$ 32,058	\$ 31,379	\$ 126,426
	Projected	30,969	30,969	30,969	30,969	123,875	30,028	30,397	30,770	31,147	122,342
	Actual vs. Projected	(1,727)	(977)	351	(1,296)	(3,648)	1,071	1,493	1,288	232	4,084
NovaSys	Actual Incurred Claims	\$ 2,203	\$ 2,156	\$ 1,986	\$ 1,960	\$ 8,305	\$ 1,807	\$ 1,790	\$ 1,513	\$ 1,505	\$ 6,615
	Projected	1,544	1,544	1,544	1,544	6,176	2,060	2,085	2,111	2,137	8,393
	Actual vs. Projected	659	612	442	416	2,129	(253)	(295)	(598)	(632)	(1,778)
NovaSys HD PPO	Actual Incurred Claims	\$ 214	\$ 319	\$ 537	\$ 477	\$ 1,547	\$ 284	\$ 463	\$ 549	\$ 555	\$ 1,851
	Projected	832	832	832	832	3,329	445	451	456	462	1,814
	Actual vs. Projected	(618)	(513)	(295)	(355)	(1,782)	(161)	12	93	93	37
ARHealth (Retirees)	Actual Incurred Claims	\$ 8,091	\$ 7,349	\$ 7,132	\$ 7,198	\$ 29,769	\$ 8,607	\$ 7,923	\$ 7,822	\$ 7,603	\$ 31,955
	Projected	7,294	7,294	7,294	7,294	29,178	7,768	7,863	7,960	8,058	31,649
	Actual vs. Projected	797	55	(162)	(96)	591	839	60	(138)	(455)	306
Behavioral Health	Actual Incurred Claims	\$ 853	\$ 854	\$ 569	\$ 1,134	\$ 3,410	\$ 989	\$ 992	\$ 988	\$ 984	\$ 3,953
	Projected	763	763	763	763	3,052	802	802	802	802	3,206
	Actual vs. Projected	90	91	(194)	371	358	187	190	186	182	747
Pharmacy	Actual Incurred Claims	\$ 15,203	\$ 15,398	\$ 15,666	\$ 15,698	\$ 61,966	\$ 16,361	\$ 16,685	\$ 17,033	\$ 17,242	\$ 67,322
	Projected	15,014	15,014	15,014	15,014	60,055	16,266	16,601	16,396	16,734	65,998
	Actual vs. Projected	189	384	652	684	1,911	95	84	637	508	1,324
Life	Actual Incurred Claims	\$ 239	\$ 239	\$ 238	\$ 260	\$ 975	\$ 306	\$ 307	\$ 305	\$ 304	\$ 1,221
	Projected	#N/A	#N/A	#N/A	#N/A	#N/A	256	256	268	268	1,048
	Actual vs. Projected	#N/A	#N/A	#N/A	#N/A	#N/A	50	51	37	36	173
Expenses	Actual Incurred Claims	\$ 3,324	\$ 3,684	\$ 3,478	\$ 3,537	\$ 14,022	\$ 3,595	\$ 3,969	\$ 3,835	\$ 3,758	\$ 15,158
	Projected	4,153	4,153	4,153	4,153	16,613	3,478	3,478	3,478	3,478	13,914
	Actual vs. Projected	(829)	(469)	(675)	(616)	(2,591)	117	491	357	280	1,244

Claim & Expense Details - Trend Report

		3/31/2010	6/30/2010	9/30/2010	12/31/2010	Prior 12 Months	3/31/2011	6/30/2011	9/30/2011	12/31/2011	Last 12 Months
TOTAL	Actual PEPM	\$ 545.23	\$ 550.81	\$ 559.78	\$ 550.71	\$ 551.63	\$ 571.21	\$ 578.09	\$ 579.85	\$ 573.37	\$ 575.63
	% Change	5.0%	1.0%	1.6%	(1.6%)	7.3%	3.7%	1.2%	0.3%	(1.1%)	4.4%
	Projected PEPM	\$ 575.36	\$ 575.36	\$ 575.36	\$ 575.36	\$ 575.36	\$ 555.49	\$ 563.03	\$ 565.84	\$ 573.52	\$ 564.47
	% Change	(5.6%)	0.0%	0.0%	0.0%	(5.6%)	(3.5%)	1.4%	0.5%	1.4%	(1.9%)
Health Advantage	Actual PEPM	\$ 380.69	\$ 391.72	\$ 412.03	\$ 392.29	\$ 394.15	\$ 400.99	\$ 410.67	\$ 416.45	\$ 409.90	\$ 409.49
	% Change	2.7%	2.9%	5.2%	(4.8%)	9.0%	2.2%	2.4%	1.4%	(1.6%)	3.9%
	Projected PEPM	\$ 418.80	\$ 418.80	\$ 418.80	\$ 418.80	\$ 418.80	\$ 392.10	\$ 396.91	\$ 401.78	\$ 406.71	\$ 399.37
	% Change	(5.8%)	0.0%	0.0%	0.0%	(5.8%)	(6.4%)	1.2%	1.2%	1.2%	(4.6%)
NovaSys	Actual PEPM	\$ 597.56	\$ 586.71	\$ 537.54	\$ 538.37	\$ 565.09	\$ 641.78	\$ 651.26	\$ 562.46	\$ 576.75	\$ 608.91
	% Change	39.1%	(1.8%)	(8.4%)	0.2%	5.0%	19.2%	1.5%	(13.6%)	2.5%	7.8%
	Projected PEPM	\$ 386.69	\$ 386.69	\$ 386.69	\$ 386.69	\$ 386.69	\$ 559.61	\$ 566.48	\$ 573.43	\$ 580.47	\$ 570.00
	% Change	(18.1%)	0.0%	0.0%	0.0%	0.0%	44.7%	1.2%	1.2%	1.2%	47.4%
NovaSys HD PPO	Actual PEPM	\$ 79.00	\$ 114.78	\$ 188.88	\$ 165.62	\$ 137.95	\$ 92.48	\$ 145.88	\$ 169.15	\$ 167.58	\$ 144.58
	% Change	(59.9%)	45.3%	64.6%	(12.3%)	(4.1%)	(44.2%)	57.7%	16.0%	(0.9%)	4.8%
	Projected PEPM	\$ 339.55	\$ 339.55	\$ 339.55	\$ 339.55	\$ 339.55	\$ 159.97	\$ 161.93	\$ 163.92	\$ 165.93	\$ 162.94
	% Change	(7.5%)	0.0%	0.0%	0.0%	(7.5%)	(52.9%)	1.2%	1.2%	1.2%	(52.0%)
ARHealth (Retirees)	Actual PEPM	\$ 315.11	\$ 283.83	\$ 271.31	\$ 269.85	\$ 284.80	\$ 319.58	\$ 291.63	\$ 283.04	\$ 271.73	\$ 291.25
	% Change	24.6%	(9.9%)	(4.4%)	(0.5%)	8.0%	18.4%	(8.7%)	(2.9%)	(4.0%)	2.3%
	Projected PEPM	\$ 293.16	\$ 293.16	\$ 293.16	\$ 293.16	\$ 293.16	\$ 288.25	\$ 291.79	\$ 295.37	\$ 298.99	\$ 293.60
	% Change	7.0%	0.0%	0.0%	0.0%	7.0%	(1.7%)	1.2%	1.2%	1.2%	0.2%
Behavioral Health	Actual PEPM	\$ 9.55	\$ 9.57	\$ 6.39	\$ 12.78	\$ 9.57	\$ 10.98	\$ 10.99	\$ 11.00	\$ 11.01	\$ 10.99
	% Change	(1.4%)	0.2%	(33.2%)	100.0%	(1.2%)	(14.1%)	0.1%	0.1%	0.1%	14.8%
	Projected PEPM	\$ 8.88	\$ 8.88	\$ 8.88	\$ 8.88	\$ 8.88	\$ 9.02	\$ 9.02	\$ 9.02	\$ 9.02	\$ 9.02
	% Change	17.5%	0.0%	0.0%	0.0%	17.5%	1.6%	0.0%	0.0%	0.0%	1.6%
Pharmacy	Actual PEPM	\$ 139.62	\$ 141.38	\$ 143.94	\$ 144.24	\$ 142.29	\$ 148.23	\$ 150.67	\$ 154.08	\$ 156.10	\$ 152.27
	% Change	3.6%	1.3%	1.8%	0.2%	7.2%	2.8%	1.6%	2.3%	1.3%	7.0%
	Projected PEPM	\$ 142.62	\$ 142.62	\$ 142.62	\$ 142.62	\$ 142.62	\$ 147.87	\$ 150.92	\$ 149.06	\$ 152.13	\$ 150.00
	% Change	(7.8%)	0.0%	0.0%	0.0%	(7.8%)	3.7%	2.1%	(1.2%)	2.1%	5.2%
Life	Actual PEPM	\$ 2.87	\$ 2.87	\$ 2.88	\$ 3.17	\$ 2.95	\$ 3.66	\$ 3.67	\$ 3.67	\$ 3.69	\$ 3.67
	% Change	(2.0%)	0.0%	0.3%	10.1%	0.7%	15.5%	0.3%	0.0%	0.5%	24.4%
	Projected PEPM	#N/A	#N/A	#N/A	#N/A	#N/A	\$ 3.08	\$ 3.08	\$ 3.23	\$ 3.23	\$ 3.15
	% Change	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	0.0%	4.9%	0.0%	#N/A
Expenses	Actual PEPM	\$ 30.52	\$ 33.82	\$ 31.95	\$ 32.50	\$ 32.20	\$ 32.57	\$ 35.84	\$ 34.69	\$ 34.03	\$ 34.28
	% Change	(10.7%)	10.8%	(5.5%)	1.7%	(2.1%)	0.2%	10.0%	(3.2%)	(1.9%)	6.5%
	Projected PEPM	\$ 39.45	\$ 39.45	\$ 39.45	\$ 39.45	\$ 39.45	\$ 31.62	\$ 31.62	\$ 31.62	\$ 31.62	\$ 31.62
	% Change	(5.9%)	0.0%	0.0%	0.0%	(5.9%)	(19.8%)	0.0%	0.0%	0.0%	(19.8%)

Claim & Expense Details - Loss Ratio Projections

		2011 Actual		2011 Projected*		2012 Projected*	
Actives	Health Advantage	Incurring Claims (\$mil)	\$ 164.46	\$ 168.18	Gold	Incurring Claims (\$mil)	\$ 183.99
		Total Premium (\$mil)	\$ 183.43	\$ 182.15		Total Premium (\$mil)	\$ 197.25
		Incurring Loss Ratio	90%	92%		Incurring Loss Ratio	93%
	Novasys	Incurring Claims (\$mil)	\$ 7.82	\$ 8.42	Silver	Incurring Claims (\$mil)	\$ 7.86
		Total Premium (\$mil)	\$ 6.57	\$ 8.89		Total Premium (\$mil)	\$ 8.51
		Incurring Loss Ratio	119%	95%		Incurring Loss Ratio	92%
	Novasys HD	Incurring Claims (\$mil)	\$ 1.98	\$ 4.73	Bronze	Incurring Claims (\$mil)	\$ 2.51
		Total Premium (\$mil)	\$ 5.94	\$ 5.09		Total Premium (\$mil)	\$ 3.23
		Incurring Loss Ratio	33%	93%		Incurring Loss Ratio	78%
	TOTAL	Incurring Claims (\$mil)	\$ 174.26	\$ 181.33	TOTAL	Incurring Claims (\$mil)	\$ 194.36
		Total Premium (\$mil)	\$ 195.94	\$ 196.12		Total Premium (\$mil)	\$ 209.00
		Incurring Loss Ratio	89%	92%		Incurring Loss Ratio	93%

Retiree NME	Health Advantage	Incurring Claims (\$mil)	\$ 21.42	\$ 11.98	Gold	Incurring Claims	\$ 13.56
		Total Premium (\$mil)	\$ 15.63	\$ 13.01		Total Premium	\$ 14.58
		Incurring Loss Ratio	137%	92%		Incurring Loss Ratio	93%
	TOTAL	Incurring Claims (\$mil)	\$ 21.42	\$ 11.98	Silver	Incurring Claims	\$ 1.56
		Total Premium (\$mil)	\$ 15.63	\$ 13.01		Total Premium	\$ 1.69
		Incurring Loss Ratio	137%	92%		Incurring Loss Ratio	92%
	TOTAL	Incurring Claims	\$ 0.18	\$ 0.23	Bronze	Incurring Claims	\$ 0.18
		Total Premium	\$ 0.23	\$ 0.23		Total Premium	\$ 0.23
		Incurring Loss Ratio	77%	77%		Incurring Loss Ratio	77%
Total	Incurring Claims	\$ 15.12	\$ 15.12	Total	Incurring Claims	\$ 15.12	
	Total Premium	\$ 16.26	\$ 16.26		Total Premium	\$ 16.26	
	Incurring Loss Ratio	93%	93%		Incurring Loss Ratio	93%	

Retiree ME	Total	Incurring Claims	38.48	\$ 37.93	Total	Incurring Claims	\$ 38.51
		Total Premium	37.66	\$ 39.23		Total Premium	\$ 38.51
		Incurring Loss Ratio	102%	97%		Incurring Loss Ratio	100%

*Projected Incurring Claims for Actives and NME Retirees are based on blended experience

Appendix A. - Contribution Rates Calendar Year 2012

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	\$ 396.14	\$ 43.24	\$ 439.38	\$ 307.26	\$ 36.34	\$ 95.78	\$ 95.78	\$ 0.00 0%	14,691
Employee & Spouse	1,002.94	43.24	1,046.18	606.68	71.76	367.74	367.74	0.00 0%	3,240
Employee & Child(ren)	614.44	43.24	657.68	414.96	49.08	193.64	193.64	0.00 0%	4,481
Family	1,118.60	43.24	1,161.84	663.71	78.51	419.62	419.62	0.00 0%	3,138
Est. Monthly Total (\$mil)	\$ 15.33	\$ 1.10	\$ 16.44	\$ 10.42	\$ 1.23	\$ 4.78	\$ 4.78	\$ 0.00	25,550
Silver							(2011 HA)		
Employee Only	\$ 362.48	\$ 43.24	\$ 405.72	\$ 307.26	\$ 36.34	\$ 62.12	\$ 95.78	\$ (33.66) -35%	763
Employee & Spouse	917.72	43.24	960.96	606.68	71.76	282.52	367.74	(85.22) -23%	142
Employee & Child(ren)	562.24	43.24	605.48	414.96	49.08	141.44	193.64	(52.20) -27%	228
Family	1,023.58	43.24	1,066.82	663.71	78.51	324.60	419.62	(95.02) -23%	118
Est. Monthly Total (\$mil)	\$ 0.66	\$ 0.05	\$ 0.71	\$ 0.49	\$ 0.06	\$ 0.16	\$ 0.22	\$ (0.06)	1,250
Bronze									
Employee Only	\$ 103.22	\$ 43.24	\$ 146.46	\$ 146.46	\$ 0.00	\$ -	\$ 7.16	\$ (7.16) -100%	922
Employee & Spouse	257.68	43.24	300.92	223.70	0.00	77.22	154.02	(76.80) -50%	155
Employee & Child(ren)	158.90	43.24	202.14	174.30	0.00	27.84	60.33	(32.49) -54%	147
Family	287.64	43.24	330.88	238.68	0.00	92.20	183.54	(91.34) -50%	175
Est. Monthly Total (\$mil)	\$ 0.21	\$ 0.06	\$ 0.27	\$ 0.24	\$ -	\$ 0.03	\$ 0.07	\$ (0.04)	1,400
Total (Monthly) (\$ mil)	\$ 16.20	\$ 1.22	\$ 17.42	\$ 11.15	\$ 1.29	\$ 4.97	\$ 5.07	\$ (0.10)	28,200
Est. Annual Total (\$ mil)	\$ 194.36	\$ 14.63	\$ 209.00	\$ 133.83	\$ 15.49	\$ 59.68	\$ 60.88	\$ (1.20)	

Not Medicare Eligible Retirees	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									
Retiree Only	\$ 396.14	\$ 43.24	\$ 439.38	\$ 203.64	\$ 0.00	\$ 235.74	\$ 235.74	\$ 0.00 0%	1,243
Retiree & NME SP	1,002.94	43.24	1,046.18	401.73	68.57	575.88	575.88	0.00 0%	410
Retiree & Child(ren)	614.44	43.24	657.68	217.84	0.00	439.84	439.84	0.00 0%	56
Retiree & NME SP&CH	1,118.62	43.24	1,161.86	245.14	0.00	916.72	916.72	0.00 0%	30
Retiree & ME SP	740.74	43.24	783.98	323.07	59.37	401.54	401.54	0.00 0%	201
Retiree & ME SP & CH	959.06	43.24	1,002.30	388.57	6.96	606.77	606.77	0.00 0%	10
Est. Monthly Total (\$mil)	\$ 1.13	\$ 0.08	\$ 1.21	\$ 0.51	\$ 0.04	\$ 0.67	\$ 0.67	\$ 0.00	1,950
Silver									
Employee Only	\$ 362.48	\$ 43.24	\$ 405.72	\$ 203.64	\$ 0.00	\$ 202.08	\$ 235.74	\$ (33.66) -14%	159
Employee & Spouse	917.72	43.24	960.96	401.73	68.57	490.66	575.88	(85.22) -15%	53
Employee & Child(ren)	562.24	43.24	605.48	217.84	0.00	387.64	439.84	(52.20) -12%	33
Family	1,023.58	43.24	1,066.82	245.14	0.00	821.68	916.72	(95.04) -10%	5
Est. Monthly Total (\$mil)	\$ 0.13	\$ 0.01	\$ 0.14	\$ 0.06	\$ 0.00	\$ 0.08	\$ 0.09	\$ (0.01)	250
Bronze									
Employee Only	\$ 103.22	\$ 43.24	\$ 146.46	\$ 0.00	\$ 0.00	\$ 146.46	\$ 235.74	\$ (89.28) -38%	64
Employee & Spouse	257.68	43.24	300.92	0.00	0.00	300.92	575.88	(274.96) -48%	21
Employee & Child(ren)	158.90	43.24	202.14	0.00	0.00	202.14	439.84	(237.70) -54%	13
Family	287.64	43.24	330.88	0.00	0.00	330.88	916.72	(585.84) -64%	2
Est. Monthly Total (\$mil)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	100
Total (Monthly) (\$ mil)	\$ 1.26	\$ 0.10	\$ 1.36	\$ 0.57	\$ 0.04	\$ 0.74	\$ 0.76	\$ (0.01)	2,300
Est. Annual Total (\$ mil)	\$ 15.12	\$ 1.14	\$ 16.26	\$ 6.82	\$ 0.52	\$ 8.92	\$ 9.06	\$ (0.14)	

Appendix A. - Contribution Rates (cont.)

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)	\$ 14.01	\$ 0.93	\$ 0.23	\$ 15.18	\$ 10.34	\$ 0.00	\$ 4.84	\$ 4.84	\$ 0.00	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)	\$ 0.70	\$ 0.03	\$ 0.01	\$ 0.74	\$ 0.48	\$ 0.00	\$ 0.26	\$ 0.22	\$ 0.05	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)	\$ 0.39	\$ 0.02	\$ 0.01	\$ 0.42	\$ 0.37	\$ 0.00	\$ 0.05	\$ 0.07	\$ (0.02)	928
Total (Monthly) (\$ mil)	\$ 15.11	\$ 0.98	\$ 0.25	\$ 16.34	\$ 11.19	\$ 0.00	\$ 5.16	\$ 5.13	\$ 0.03	27,683
Est. Annual Total (\$ mil)	\$ 181.33	\$ 11.76	\$ 3.02	\$ 196.12	\$ 134.25	\$ 0.00	\$ 61.87	\$ 61.54	\$ 0.32	

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
Not 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)	\$ 1.00	\$ 0.07	\$ 0.02	\$ 1.08	\$ 0.43	\$ 0.00	\$ 0.66	\$ 0.66	\$ 0.00	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)	\$ 3.16	\$ 0.11	\$ 0.00	\$ 3.27	\$ 1.95	\$ 0.00	\$ 1.32	\$ 1.32	\$ 0.00	7,045
Total (Est. Monthly)	\$ 4.16	\$ 0.18	\$ 0.02	\$ 4.35	\$ 2.38	\$ 0.00	\$ 1.97	\$ 1.97	\$ 0.00	8,983
Total (Est. Annual)	\$ 49.91	\$ 2.15	\$ 0.18	\$ 52.24	\$ 28.55	\$ 0.00	\$ 23.69	\$ 23.69	\$ 0.00	

Appendix B. - Enrollment Details: Actives

Average for Year Ending		12/31/2009	12/31/2010	12/31/2011	Projected	12/31/2012
Health Advantage	Single	14,128	14,540	14,514	Gold	14,805
	Employee/Spouse	3,635	3,536	3,335		3,297
	Employee/Child(ren)	3,923	4,223	4,643		4,928
	Family	3,064	3,121	3,237		3,256
	Total	24,751	25,419	25,729		26,286
	Member Counts	43,213	44,532	45,996		47,247
NovaSys	Single	816	755	549	Silver	183
	Employee/Spouse	140	138	104		56
	Employee/Child(ren)	216	210	165		61
	Family	114	122	88		73
	Total	1,285	1,225	905		373
	Member Counts	2,094	2,041	1,538		748
NovaSys HD PPO	Single	538	583	644	Bronze	761
	Employee/Spouse	101	124	136		191
	Employee/Child(ren)	98	106	129		166
	Family	112	122	158		257
	Total	849	935	1,067		1,375
	Member Counts	1,422	1,570	1,858		2,586
Total	Single	15,482	15,878	15,707	Total	15,749
	Employee/Spouse	3,876	3,798	3,575		3,544
	Employee/Child(ren)	4,237	4,538	4,937		5,155
	Family	3,290	3,365	3,482		3,586
	Total	26,885	27,579	27,701		28,034
	Member Counts	46,729	48,142	49,392		50,581

Appendix B. - Enrollment Details: Retirees

Average for Year Ending		12/31/2009	12/31/2010	12/31/2011	Projected 12/31/2012
Retirees Not Medicare Eligible (NME) Gold	Retiree Only	1,285	1,339	1,441	1,443
	Retiree + NME Spouse	483	486	509	506
	Retiree + Child(ren)	60	55	65	71
	Retiree + NME Spouse + Child(ren)	41	31	37	30
	Retiree + ME Spouse	4	191	197	202
	Retiree + ME Spouse + Child(ren)	0	9	12	15
	Total	1,873	2,111	2,260	2,267
Silver	Retiree Only	0	0	0	-
	Retiree + NME Spouse	0	0	0	-
	Retiree + Child(ren)	0	0	0	1
	Retiree + NME Spouse + Child(ren)	0	0	0	1
	Total	0	0	0	2
Bronze	Retiree Only	0	0	0	5
	Retiree + NME Spouse	0	0	0	3
	Retiree + Child(ren)	0	0	0	-
	Retiree + NME Spouse + Child(ren)	0	0	0	4
	Total	0	0	0	12
NME Member Counts		3,161	2,963	3,182	3,191

Retirees Medicare Eligible (ME)	Retiree Only	4,276	4,476	4,678	4,853
	Retiree + NME Spouse	498	328	334	349
	Retiree + Child(ren)	41	46	54	57
	Retiree + NME Spouse + Child(ren)	24	22	25	26
	Retiree + ME Spouse	1,641	1,714	1,778	1,813
	Retiree + ME Spouse + Child(ren)	12	13	14	16
	Total	6,491	6,600	6,883	7,114
	ME Member Counts	8,148	8,779	9,149	9,437

Appendix C. - Summary of Plan or Policy Changes

<u>Date</u>	<u>Major Change</u>
For 2012 Plan Year	<p>ARHealth plan became Gold Plan; network is only Health Advantage (Novasys no longer an option). HD PPO became Bronze Plan; network changed from Novasys to Health Advantage Silver Plan with \$25 PCP copay and \$750 deductible offered through Qualchoice. NME Retirees eligible to elect Gold, Silver or Bronze (ME Retirees are Gold only). Bariatric surgery covered through pilot program. Coverage for Autism added. Behavioral Health changed to self-insured and integrated with Medical.</p>
For 2011 Plan Year	<p>Lifetime Max for Out-of-Network (OON) changed to match the In Network's (INN) Unlimited Lifetime Maximum. Immunizations covered at 100% for OON coverage. Some services under behavioral health now do not require pre-authorization. Intensive Out-Patient Services under behavioral health now require 20% member coinsurance. \$10,000 Benefit Maximum Removed for Durable Medical Equipment / Enteral Feeding. Hearing/Vision Screening copayment changed to \$35 OON (ARHealth), and \$35 INN & OON (ARHealth HD). Active and Non-Medicare retiree experience was blended in determining the rates. Increased credibility was given to the High Deductible Plan in determining the rates. Child covered until age 26.</p>
For 2010 Plan Year	<p>Hearing Aids benefit added. Hearing and Vision exams are now covered as wellness benefits.</p>
For 2009 Plan Year	<p><u>AR Health Plan (including Retirees)</u> Coinsurance percentage for In-Network services will increase from 10% to 20%. 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> 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>

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	\$27.53	n/a	Per Employee Per Month
- NovaSys Health	\$13.90	\$13.90	Per Employee Per Month
			For Calendar Year 2011 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 \$)	12/31/2009	12/31/2010	12/31/2011	Projected 12/31/2012
Net Assets (Prior To IBNR)	\$ 81.0	\$ 108.2	\$ 118.3	\$ 100.0
Incurred But Not Recorded Claims	(21.50)	(24.25)	(24.25)	(26.20)
Net Assets After IBNR	\$ 59.5	\$ 84.0	\$ 94.1	\$ 73.8
ALLOCATED RESERVES				
Active/Retiree Premiums for Plan Year	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Act/Ret Premiums for Next Plan Year	0.00	0.00	-18.65	-11.19
Act/Ret Premiums for Future Years	0.00	0.00	-18.65	-7.46
Catastrophic Reserve	-7.90	-8.10	-8.90	-8.90
Pharmacy Reward Program	-1.50	-1.50	0.00	0.00
Total Allocated Reserves	\$ (9.4)	\$ (9.6)	\$ (46.2)	\$ (27.6)
Net Assets Available	\$ 50.1	\$ 74.4	\$ 47.9	\$ 46.2

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 2012 and 2011 projections can be found in our October 11, 2011 (for 2012) and August 31, 2010 (for 2011) letters to Jason Lee.
Updated Projections:	Projections produced in July 2011 by Cheiron for 2012 rates, adjusted for actual asset experience through December 2011 and enrollment changes through January 2012.

Methods:

Updated Projections:	Claims, Expenses and Participant Income were adjusted for changes in headcounts only, assuming stable population after January 2012. <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 January 31, 2012 (except Novasys claims through December 31, 2011). 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 2011. 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.



Public School Employees (PSE)

**Monitoring Report
through December 31, 2011**

**Presented on
March 9, 2012**

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Comments

- Plan Year 2011 resulted in a \$4.5 million gain on an accounting basis, instead of our projected loss of \$11.6 million.
- Participation has increased in the Plan, with most of the increase coming in the Bronze plan. Fewer actives elected Silver, and more elected Bronze, than assumed. Fewer retirees elected Silver or Bronze than assumed.
- The increase in participation is expected to result in lower projected assets.
- The Plan does not have much reserve money to offset potential rate increases for 2013.

Total Plan Experience

Principal Results (\$ millions)	Plan Year 2011 - 10/01/10 - 12/31/11 -		Plan Year 2012 - 1/01/12 - 12/31/12 -	
	ACCOUNTING BASIS	Actual	Projected ¹	Updated Proj. ²
Employer Contributions	\$ 151.3	\$ 151.4	\$ 124.7	\$ 123.9
Participant Contributions & Rebates ³	194.92	190.66	150.97	154.75
Other Income	-	-	-	-
TOTAL INCOME	\$ 346.2	\$ 342.1	\$ 275.7	\$ 278.6
Claims Paid + IBNR Change	(315.2)	(327.5)	(271.2)	(269.8)
Expenses	(26.6)	(26.2)	(19.5)	(19.1)
TOTAL EXPENDITURES	\$ (341.7)	\$ (353.7)	\$ (290.6)	\$ (288.9)
NET PLAN GAIN / (LOSS)	\$ 4.5	\$ (11.6)	\$ (14.9)	\$ (10.3)
INCURRED BASIS				
TOTAL INCOME	\$ 346.2	\$ 342.1	\$ 275.7	\$ 278.6
Claims Incurred	(322.7)	(328.9)	(273.8)	(272.5)
Expenses	(26.6)	(26.2)	(19.5)	(19.1)
TOTAL EXPENDITURES INCURRED	\$ (349.3)	\$ (355.1)	\$ (293.3)	\$ (291.6)
NET CHANGE	\$ (3.1)	\$ (13.0)	\$ (17.6)	\$ (13.0)
PLAN ASSETS (END OF YEAR)				
Net Assets (Prior to IBNR)	\$ 73.2	\$ 65.2	\$ 58.1	\$ 60.6
IBNR Reserve	(27.8)	(27.5)	(27.6)	(28.2)
Other Allocated Reserves	(39.4)	(22.0)	(22.6)	(22.6)
NET ASSETS AVAILABLE	\$ 6.0	\$ 15.7	\$ 7.9	\$ 9.8
ENROLLMENT				
Active Employees (includes COBRA)	45,764	44,851	47,538	47,000
Retirees	8,121	7,367	8,551	7,950
TOTAL ENROLLED	53,885	52,218	56,089	54,950
TOTAL INCOME PEPM	\$ 428	\$ 437	\$ 410	\$ 423
TOTAL EXPENDITURES PEPM	\$ (432)	\$ (453)	\$ (436)	\$ (442)

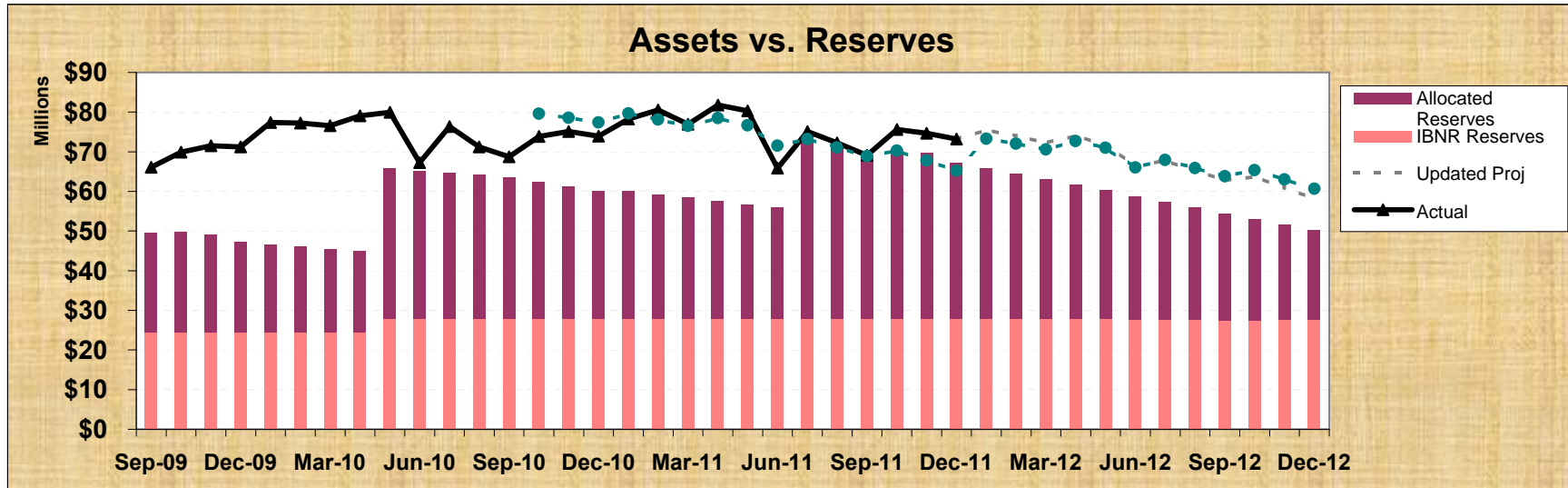
¹ Projections are those done when setting the rates for the applicable plan year.

² Updated Projections reflect updated participant count and asset information.

³ Actual figures include pharmacy rebates. Pharmacy rebates are not included in any of the projections.

Total Plan Experience

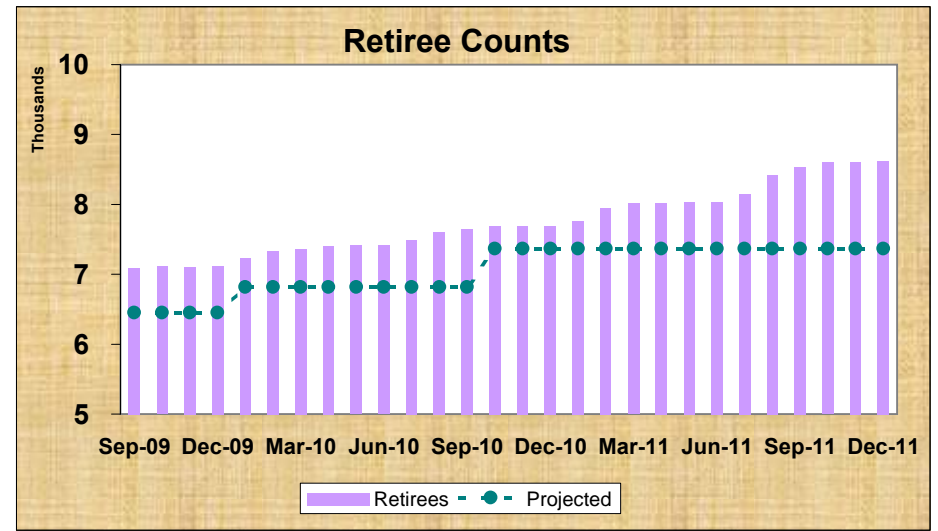
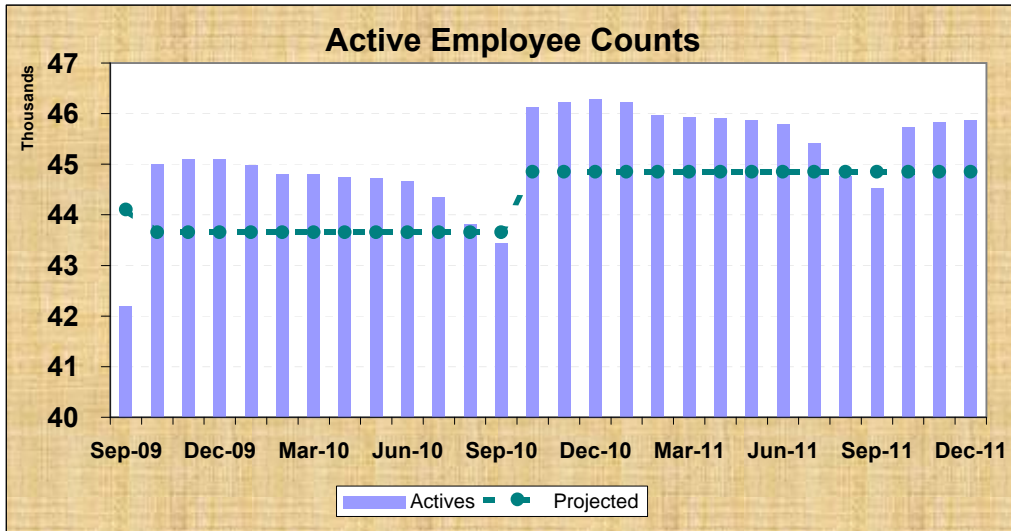
The chart below shows the Plan's assets (solid line) compared to projected assets (dotted lines) and target reserve levels (bars). Projected assets represent the projections used to set the rates. The updated projections reflect asset experience and participant changes since those rates were set (June 2011). The average cost per rating tier has not been updated.



(In Millions \$)	As of	9/30/2009	9/30/2010	12/31/2011	Updated Projection 12/31/2012
Net Assets before IBNR	\$	66.1	\$ 68.8	\$ 73.2	\$ 58.1
IBNR Reserve		24.5	27.8	27.8	27.6
Allocated Reserves*		25.2	35.8	39.4	22.6
Net Assets Available	\$	115.8	\$ 132.4	\$ 140.4	\$ 108.3
Projected Assets		#N/A	#N/A	\$ 65.2	\$ 60.6
Projected IBNR Reserve		#N/A	#N/A	27.5	28.2
Projected Allocated Reserve		#N/A	#N/A	22.0	22.6
Projected Net Assets		#N/A	#N/A	\$ 114.7	\$ 111.4
Plan Year Ending					
Funding	\$	260.9	\$ 267.3	\$ 346.2	\$ 275.7
Expenses		254.0	268.8	341.7	290.6
Net Income / (Loss)	\$	8.7	\$ 1.9	\$ 4.5	\$ (15.2)
Projected Net Income / (Loss)	\$	(10.9)	\$ (2.0)	\$ (11.6)	\$ (10.3)

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

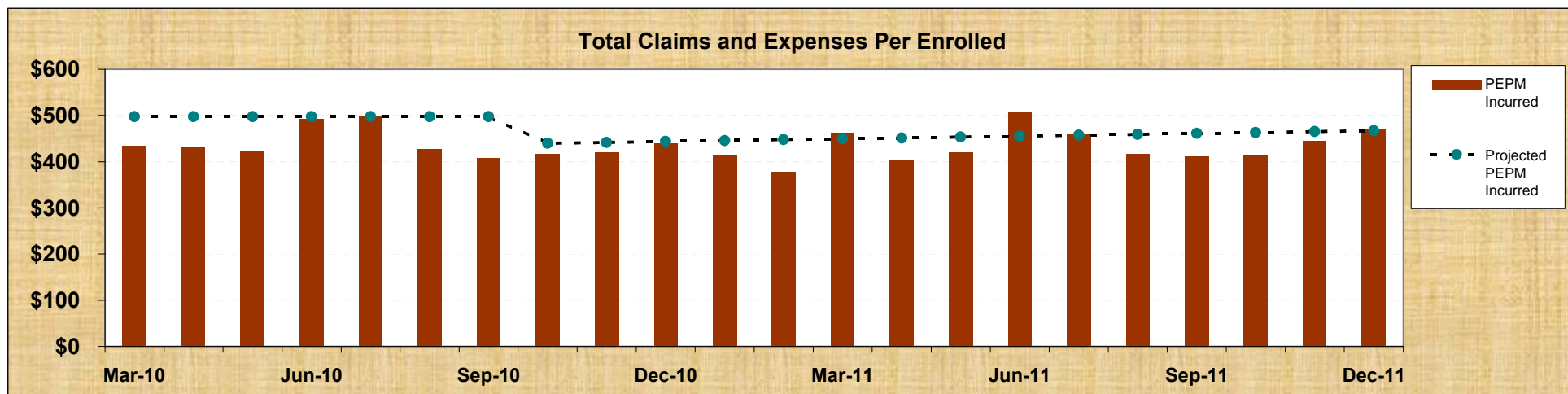
Enrollment



Average for Year Ending		9/30/2009	9/30/2010	12/31/2011	2012 Plan	Updated Projection 12/31/2012
Actives (includes COBRA contracts)	Health Advantage	36,594	38,339	37,968	Gold	37,926
	NovaSys	4,864	3,764	2,945	Silver	669
	NovaSys HD	2,007	2,524	4,851	Bronze	8,943
	Total	43,465	44,627	45,764		47,538
	Projected	44,106	43,652	44,851		47,000
Retirees (includes Surviving Spouses)	Non-Medicare Retirees	2,105	2,020	2,063	Gold	2,033
					Silver	4
					Bronze	91
	Medicare Retirees	4,730	5,333	6,058	Gold	6,518
	Total	6,835	7,352	8,121		8,646
Projected	6,270	6,726	7,367		7,950	
Total Counts		50,300	51,979	53,885		56,184
Total Projected		50,376	50,378	52,218		54,950

Claim & Expense Details - All Claims & Expenses

The chart below displays the total claims and expenses incurred on a per enrolled (active/retiree) basis. The total claims include medical, pharmacy, behavioral health, and expenses.



	<u>3/31/2010</u>	<u>6/30/2010</u>	<u>9/30/2010</u>	<u>12/31/2010</u>	<u>Prior 12 Months</u>	<u>3/31/2011</u>	<u>6/30/2011</u>	<u>9/30/2011</u>	<u>12/31/2011</u>	<u>Last 12 Months</u>
Total Incurred (In Millions \$)										
Total Claims & Expenses	\$ 64.7	\$ 70.3	\$ 68.8	\$ 68.8	\$ 272.6	\$ 67.6	\$ 71.7	\$ 68.6	\$ 72.6	\$ 280.5
- Change	1.7	5.6	(1.5)	0.0	81.5	(1.2)	4.1	(3.2)	4.0	7.9
Projected	\$ 68.3	\$ 68.3	\$ 68.3	\$ 69.2	\$ 274.1	\$ 70.1	\$ 71.0	\$ 71.9	\$ 72.9	\$ 285.9
- Change	0.2	-	-	0.9	62.4	0.9	0.9	0.9	0.9	11.8
Actual vs. Projected	\$ (3.6)	\$ 2.0	\$ 0.5	\$ (0.4)	\$ (1.5)	\$ (2.5)	\$ 0.7	\$ (3.4)	\$ (0.3)	\$ (5.4)

Per Enrolled Basis										
Total Claims & Expenses	\$ 413.4	\$ 449.6	\$ 445.7	\$ 425.4	\$ 433.4	\$ 417.7	\$ 443.6	\$ 429.1	\$ 444.5	\$ 433.8
% Change	2.8%	8.7%	(0.9%)	(1.8%)	3.5%	(3.6%)	6.2%	(3.3%)	3.6%	0.1%
Projected	\$ 497.4	\$ 497.4	\$ 497.4	\$ 441.7	\$ 482.1	\$ 447.5	\$ 453.3	\$ 459.1	\$ 465.1	\$ 456.3
% Change	0.7%	0.0%	0.0%	1.3%	(5.3%)	(7.2%)	1.3%	1.3%	1.3%	(5.4%)

Claim & Expense Details - Incurred Claims by Vendor

		<u>3/31/2010</u>	<u>6/30/2010</u>	<u>9/30/2010</u>	<u>12/31/2010</u>	<u>Prior 12</u> <u>Months</u>	<u>3/31/2011</u>	<u>6/30/2011</u>	<u>9/30/2011</u>	<u>12/31/2011</u>	<u>Last 12</u> <u>Months</u>
TOTAL (\$000s)	Actual Incurred Claims	\$ 64,712	\$ 70,289	\$ 68,794	\$ 68,800	\$ 272,594	\$ 67,603	\$ 71,719	\$ 68,563	\$ 72,566	\$ 280,451
	Projected	68,291	68,291	68,291	69,197	274,071	70,100	71,005	71,924	72,862	285,892
	Actual vs. Projected	\$ (3,579)	\$ 1,998	\$ 503	\$ (397)	\$ (1,477)	\$ (2,497)	\$ 714	\$ (3,361)	\$ (296)	\$ (5,441)
Health Advantage	Actual Incurred Claims	\$ 34,325	\$ 38,864	\$ 36,987	\$ 37,691	\$ 147,867	\$ 35,974	\$ 39,611	\$ 36,271	\$ 39,431	\$ 151,287
	Projected	36,132	36,132	36,132	37,986	146,383	38,452	38,924	39,401	39,885	156,662
	Actual vs. Projected	\$ (1,807)	\$ 2,732	\$ 855	\$ (295)	\$ 1,484	\$ (2,478)	\$ 687	\$ (3,130)	\$ (454)	\$ (5,375)
NovaSys	Actual Incurred Claims	\$ 4,788	\$ 5,355	\$ 4,650	\$ 4,600	\$ 19,393	\$ 3,945	\$ 4,207	\$ 3,495	\$ 3,521	\$ 15,170
	Projected	5,157	5,157	5,157	4,814	20,286	4,873	4,933	4,994	5,055	19,855
	Actual vs. Projected	\$ (369)	\$ 198	\$ (507)	\$ (214)	\$ (893)	\$ (928)	\$ (726)	\$ (1,499)	\$ (1,534)	\$ (4,685)
NovaSys HD PPO	Actual Incurred Claims	\$ 2,034	\$ 1,840	\$ 2,620	\$ 1,948	\$ 8,442	\$ 2,267	\$ 2,305	\$ 2,839	\$ 3,101	\$ 10,512
	Projected	1,510	1,510	1,510	1,306	5,836	1,322	1,338	1,354	1,371	5,384
	Actual vs. Projected	\$ 524	\$ 330	\$ 1,110	\$ 642	\$ 2,606	\$ 945	\$ 967	\$ 1,485	\$ 1,730	\$ 5,128
ARHealth (Retirees)	Actual Incurred Claims	\$ 5,070	\$ 4,652	\$ 5,481	\$ 4,959	\$ 20,163	\$ 5,841	\$ 4,935	\$ 5,435	\$ 5,555	\$ 21,766
	Projected	5,740	5,740	5,740	4,847	22,066	4,907	4,967	5,028	5,090	19,991
	Actual vs. Projected	\$ (670)	\$ (1,088)	\$ (259)	\$ 112	\$ (1,903)	\$ 934	\$ (32)	\$ 407	\$ 465	\$ 1,775
Behavioral Health	Actual Incurred Claims	\$ 933	\$ 930	\$ 612	\$ 1,264	\$ 3,739	\$ 1,090	\$ 1,022	\$ 1,003	\$ 1,023	\$ 4,139
	Projected	910	910	910	898	3,628	898	898	898	898	3,592
	Actual vs. Projected	\$ 23	\$ 20	\$ (298)	\$ 366	\$ 111	\$ 192	\$ 124	\$ 105	\$ 125	\$ 547
Pharmacy	Actual Incurred Claims	\$ 12,935	\$ 13,480	\$ 13,609	\$ 13,230	\$ 53,254	\$ 13,440	\$ 14,178	\$ 14,083	\$ 14,401	\$ 56,101
	Projected	12,622	12,622	12,622	14,120	51,985	14,411	14,708	15,011	15,320	59,450
	Actual vs. Projected	\$ 313	\$ 858	\$ 987	\$ (890)	\$ 1,269	\$ (971)	\$ (530)	\$ (928)	\$ (919)	\$ (3,349)
Expenses	Actual Incurred Claims	\$ 4,626	\$ 5,167	\$ 4,835	\$ 5,108	\$ 19,737	\$ 5,046	\$ 5,460	\$ 5,437	\$ 5,533	\$ 21,477
	Projected	6,220	6,220	6,220	5,226	23,887	5,238	5,238	5,238	5,244	20,958
	Actual vs. Projected	\$ (1,594)	\$ (1,053)	\$ (1,385)	\$ (118)	\$ (4,150)	\$ (192)	\$ 222	\$ 199	\$ 289	\$ 519

Claim & Expense Details - Trend Report

		3/31/2010	6/30/2010	9/30/2010	12/31/2010	Prior 12 Months	3/31/2011	6/30/2011	9/30/2011	12/31/2011	Last 12 Months
TOTAL	Actual PEPM	\$ 413.44	\$ 449.57	\$ 445.70	\$ 425.43	\$ 433.42	\$ 417.69	\$ 443.64	\$ 429.10	\$ 444.48	\$ 433.76
	% Change	2.8%	8.7%	(0.9%)	(4.5%)	4.2%	(1.8%)	6.2%	(3.3%)	3.6%	0.1%
	Projected PEPM	\$ 497.42	\$ 497.42	\$ 497.42	\$ 441.72	\$ 482.07	\$ 447.48	\$ 453.26	\$ 459.13	\$ 465.12	\$ 456.25
	% Change	0.7%	0.0%	0.0%	(11.2%)	(5.6%)	1.3%	1.3%	1.3%	1.3%	(5.4%)
Health Advantage	Actual PEPM	\$ 296.85	\$ 337.30	\$ 327.26	\$ 326.12	\$ 321.84	\$ 313.04	\$ 346.45	\$ 324.40	\$ 349.31	\$ 333.27
	% Change	0.3%	13.6%	(3.0%)	(0.3%)	4.9%	(4.0%)	10.7%	(6.4%)	7.7%	3.6%
	Projected PEPM	\$ 327.70	\$ 327.70	\$ 327.70	\$ 328.64	\$ 327.94	\$ 332.67	\$ 336.76	\$ 340.89	\$ 345.07	\$ 338.85
	% Change	0.0%	0.0%	0.0%	0.3%	(4.3%)	1.2%	1.2%	1.2%	1.2%	3.3%
NovaSys	Actual PEPM	\$ 421.25	\$ 475.53	\$ 422.05	\$ 504.28	\$ 453.46	\$ 439.51	\$ 474.24	\$ 404.41	\$ 411.03	\$ 432.69
	% Change	2.3%	12.9%	(11.2%)	19.5%	16.5%	(12.8%)	7.9%	(14.7%)	1.6%	(4.6%)
	Projected PEPM	\$ 352.12	\$ 352.12	\$ 352.12	\$ 424.54	\$ 366.98	\$ 429.75	\$ 435.03	\$ 440.37	\$ 445.77	\$ 437.73
	% Change	0.0%	0.0%	0.0%	20.6%	3.3%	1.2%	1.2%	1.2%	1.2%	19.3%
NovaSys HD PPO	Actual PEPM	\$ 267.87	\$ 240.81	\$ 346.34	\$ 139.68	\$ 229.75	\$ 159.25	\$ 160.44	\$ 199.51	\$ 194.01	\$ 178.73
	% Change	54.1%	(10.1%)	43.8%	(59.7%)	16.6%	14.0%	0.7%	24.4%	(2.8%)	(22.2%)
	Projected PEPM	\$ 249.69	\$ 249.69	\$ 249.69	\$ 171.13	\$ 226.44	\$ 173.23	\$ 175.35	\$ 177.51	\$ 179.68	\$ 176.44
	% Change	0.0%	0.0%	0.0%	(31.5%)	(23.4%)	1.2%	1.2%	1.2%	1.2%	(22.1%)
ARHealth (Retirees)	Actual PEPM	\$ 231.24	\$ 209.35	\$ 240.96	\$ 214.90	\$ 224.10	\$ 246.24	\$ 204.89	\$ 216.51	\$ 215.08	\$ 220.44
	% Change	22.4%	(9.5%)	15.1%	(10.8%)	8.5%	14.6%	(16.8%)	5.7%	(0.7%)	(1.6%)
	Projected PEPM	\$ 280.61	\$ 280.61	\$ 280.61	\$ 219.32	\$ 264.38	\$ 222.02	\$ 224.74	\$ 227.50	\$ 230.29	\$ 226.14
	% Change	0.9%	0.0%	0.0%	(21.8%)	(4.9%)	1.2%	1.2%	1.2%	1.2%	(14.5%)
Behavioral Health	Actual PEPM	\$ 6.63	\$ 6.63	\$ 4.45	\$ 8.76	\$ 6.64	\$ 7.56	\$ 7.11	\$ 7.11	\$ 7.11	\$ 7.22
	% Change	(0.2%)	0.0%	(32.9%)	96.9%	(0.2%)	(13.7%)	(6.0%)	0.0%	0.0%	8.7%
	Projected PEPM	\$ 7.39	\$ 7.39	\$ 7.39	\$ 6.67	\$ 7.20	\$ 6.67	\$ 6.67	\$ 6.67	\$ 6.67	\$ 6.67
	% Change	1.5%	0.0%	0.0%	(9.7%)	(1.8%)	0.0%	0.0%	0.0%	0.0%	(7.4%)
Pharmacy	Actual PEPM	\$ 91.88	\$ 96.07	\$ 98.88	\$ 91.64	\$ 94.57	\$ 93.18	\$ 98.61	\$ 99.76	\$ 100.11	\$ 97.90
	% Change	3.6%	4.6%	2.9%	(7.3%)	3.9%	1.7%	5.8%	1.2%	0.4%	3.5%
	Projected PEPM	\$ 102.43	\$ 102.43	\$ 102.43	\$ 104.94	\$ 103.10	\$ 107.10	\$ 109.31	\$ 111.56	\$ 113.86	\$ 110.46
	% Change	0.8%	0.0%	0.0%	2.5%	0.6%	2.1%	2.1%	2.1%	2.1%	7.1%
Expenses	Actual PEPM	\$ 29.56	\$ 33.05	\$ 31.33	\$ 31.58	\$ 31.38	\$ 31.18	\$ 33.78	\$ 34.03	\$ 33.89	\$ 33.22
	% Change	(8.4%)	11.8%	(5.2%)	0.8%	(1.1%)	(1.3%)	8.3%	0.7%	(0.4%)	5.9%
	Projected PEPM	\$ 45.31	\$ 45.31	\$ 45.31	\$ 33.36	\$ 42.02	\$ 33.44	\$ 33.44	\$ 33.44	\$ 33.47	\$ 33.45
	% Change	0.3%	0.0%	0.0%	(26.4%)	(9.9%)	0.2%	0.0%	0.0%	0.1%	(20.4%)

Claim & Expense Details - Loss Ratio Projections

2011 Actual 2011 Projected*

2012 Projected*

Actives			<u>2011 Actual</u>	<u>2011 Projected*</u>
Health Advantage	Incurring Claims (\$mil)	\$	197.41	\$ 207.20
	Total Premium (\$mil)	\$	228.41	\$ 232.99
	Incurring Loss Ratio		86%	89%
Novasys	Incurring Claims (\$mil)	\$	19.25	\$ 22.11
	Total Premium (\$mil)	\$	18.46	\$ 24.02
	Incurring Loss Ratio		104%	92%
Novasys HD	Incurring Claims (\$mil)	\$	11.52	\$ 8.97
	Total Premium (\$mil)	\$	19.86	\$ 10.27
	Incurring Loss Ratio		58%	87%
TOTAL	Incurring Claims (\$mil)	\$	228.18	\$ 238.27
	Total Premium (\$mil)	\$	266.73	\$ 267.27
	Incurring Loss Ratio		86%	89%

Gold	Incurring Claims (\$mil)	\$	229.24
	Total Premium (\$mil)	\$	249.17
	Incurring Loss Ratio		92%
Silver	Incurring Claims (\$mil)	\$	11.11
	Total Premium (\$mil)	\$	12.16
	Incurring Loss Ratio		91%
Bronze	Incurring Claims (\$mil)	\$	12.05
	Total Premium (\$mil)	\$	15.72
	Incurring Loss Ratio		77%
TOTAL	Incurring Claims (\$mil)		\$252.39
	Total Premium (\$mil)		\$277.05
	Incurring Loss Ratio		91%

Retiree NME			<u>2011 Actual</u>	<u>2011 Projected*</u>
Health Advantage	Incurring Claims (\$mil)	\$	16.71	\$ 11.85
	Total Premium (\$mil)	\$	13.38	\$ 12.93
	Incurring Loss Ratio		125%	92%
TOTAL	Incurring Claims (\$mil)	\$	16.71	\$ 11.85
	Total Premium (\$mil)	\$	13.38	\$ 12.93
	Incurring Loss Ratio		125%	92%

Gold	Incurring Claims (\$mil)	\$	10.35
	Total Premium (\$mil)	\$	11.72
	Incurring Loss Ratio		88%
Silver	Incurring Claims (\$mil)	\$	1.37
	Total Premium (\$mil)	\$	1.51
	Incurring Loss Ratio		91%
Bronze	Incurring Claims (\$mil)	\$	0.16
	Total Premium (\$mil)	\$	0.21
	Incurring Loss Ratio		75%
Total	Incurring Claims (\$mil)	\$	11.88
	Total Premium (\$mil)	\$	13.44
	Incurring Loss Ratio		88%

Retiree ME			<u>2011 Actual</u>	<u>2011 Projected*</u>
Total	Incurring Claims (\$mil)	\$	10.29	\$ 10.10
	Total Premium (\$mil)	\$	12.36	\$ 11.08
	Incurring Loss Ratio		83%	91%

Total	Incurring Claims (\$mil)	\$	11.96
	Total Premium (\$mil)	\$	12.00
	Incurring Loss Ratio		100%

*Projected Incurring Claims for Actives and NME Retirees are based on blended experience

Appendix A. - Contribution Rates Calendar Year 2012

Actives	Medical and Pharmacy*	Expenses	Retirement Subsidy	Base Monthly Premium	Act 1842 Contrib.	Res. Alloc.	School District Contrib.	2012 EE Total Cost	2011 EE Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Gold												
Employee Only	\$ 393.64	\$ 32.52	\$ 11.20	\$ 437.36	\$ 90.12	\$ 28.88	\$ 131.00	\$ 187.36	\$ 170.34	\$ 17.02	10%	29,716
Employee & Spouse	1,158.96	32.52	11.20	1,202.68	160.22	62.54	131.00	848.92	771.74	77.18	10%	1,253
Employee & Child(ren)	735.76	32.52	11.20	779.48	122.74	45.18	131.00	480.56	436.87	43.69	10%	5,224
Family	1,167.52	32.52	11.20	1,211.24	165.92	63.12	131.00	851.20	773.82	77.38	10%	1,807
Est. Monthly Total (\$mil)	\$ 19.10	\$ 1.24	\$ 0.43	\$ 20.76	\$ 3.82	\$ 1.29	\$ 4.98	\$ 10.68	\$ 9.71	\$ 0.97		38,000
Silver												
Employee Only	\$ 357.90	\$ 32.52	\$ 11.20	\$ 401.62	\$ 90.12	\$ 22.94	\$ 131.00	\$ 157.56	\$ 170.34	\$ (12.78)	-8%	1,520
Employee & Spouse	1,053.68	32.52	11.20	1,097.40	160.22	92.32	131.00	713.86	771.74	(57.88)	-8%	61
Employee & Child(ren)	668.92	32.52	11.20	712.64	122.74	54.80	131.00	404.10	436.87	(32.77)	-8%	325
Family	1,061.48	32.52	11.20	1,105.20	165.92	92.50	131.00	715.78	773.82	(58.04)	-8%	95
Est. Monthly Total (\$mil)	\$ 0.93	\$ 0.07	\$ 0.02	\$ 1.01	\$ 0.20	\$ 0.07	\$ 0.26	\$ 0.48	\$ 0.52	\$ (0.04)		2,000
Bronze												
Employee Only	\$ 105.18	\$ 32.52	\$ 11.20	\$ 148.90	\$ 17.90	\$ -	\$ 131.00	\$ -	\$ 15.10	\$ (15.10)	-100%	5,324
Employee & Spouse	305.62	32.52	11.20	349.34	31.82	0.00	131.00	186.52	333.10	(146.58)	-44%	330
Employee & Child(ren)	194.98	32.52	11.20	238.70	24.38	0.00	131.00	83.32	155.36	(72.04)	-46%	637
Family	308.70	32.52	11.20	352.42	32.96	0.00	131.00	188.46	333.70	(145.24)	-44%	709
Est. Monthly Total (\$mil)	\$ 1.00	\$ 0.23	\$ 0.08	\$ 1.31	\$ 0.14	\$ -	\$ 0.92	\$ 0.25	\$ 0.53	\$ (0.28)		7,000
Total (Monthly) (\$ mil)	\$ 21.03	\$ 1.53	\$ 0.53	\$ 23.09	\$ 4.17	\$ 1.35	\$ 6.16	\$ 11.41	\$ 10.76	\$ 0.65		47,000
Est. Annual Total (\$ mil)	\$ 252.39	\$ 18.34	\$ 6.32	\$ 277.05	\$ 50.00	\$ 16.24	\$ 73.88	\$ 136.92	\$ 129.07	\$ 7.85		

Not Medicare Eligible Retirees	Medical and Pharmacy	Expenses	Retiree Holdback	Total Monthly Premium	Subsidy & Reserve Allocation			2012 Total Ret. Cost	2011 Total Ret. Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Gold												
Retiree Only	\$ 393.64	\$ 32.52	\$ 31.26	\$ 457.42		\$ 0.00		\$ 457.42	\$ 457.42	\$ 0.00	0%	1,579
Retiree & NME SP	1,158.96	32.52	11.20	1,202.68		50.67		1,152.01	1,152.01	0.00	0%	142
Retiree & Child(ren)	735.76	32.52	11.20	779.48		11.20		768.28	768.28	0.00	0%	7
Retiree & NME SP&CH	1,167.52	32.52	11.20	1,211.24		51.42		1,159.82	1,159.82	0.00	0%	8
Retiree & ME SP	538.40	32.52	25.90	596.82		0.00		596.82	596.82	0.00	0%	112
Retiree & ME SP & CH	880.50	32.52	11.20	924.22		16.51		907.71	907.71	0.00	0%	1
Est. Monthly Total (\$mil)	\$ 0.86	\$ 0.06	\$ 0.05	\$ 0.98		\$ 0.01		\$ 0.97	\$ 0.97	\$ 0.00		1,850
Silver												
Employee Only	\$ 357.90	\$ 32.52	\$ 11.20	\$ 401.62		\$ 0.00		\$ 401.62	\$ 457.42	\$ (55.80)	-12%	213
Employee & Spouse	1,053.68	32.52	11.20	1,097.40		0.00		1,097.40	1,152.01	(54.61)	-5%	34
Employee & Child(ren)	668.92	32.52	11.20	712.64		0.00		712.64	768.28	(55.64)	-7%	1
Family	1,061.48	32.52	11.20	1,105.20		0.00		1,105.20	1,159.82	(54.62)	-5%	1
Est. Monthly Total (\$mil)	\$ 0.11	\$ 0.01	\$ 0.00	\$ 0.13		\$ 0.00		\$ 0.13	\$ 0.14	\$ (0.01)		250
Bronze												
Employee Only	\$ 105.18	\$ 32.52	\$ 11.20	\$ 148.90		\$ 0.00		\$ 148.90	\$ 457.42	\$ (308.52)	-67%	85
Employee & Spouse	305.62	32.52	11.20	349.34		0.00		349.34	1,152.01	(802.67)	-70%	14
Employee & Child(ren)	194.98	32.52	11.20	238.70		0.00		238.70	768.28	(529.58)	-69%	0
Family	308.70	32.52	11.20	352.42		0.00		352.42	1,159.82	(807.40)	-70%	0
Est. Monthly Total (\$mil)	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.02		\$ 0.00		\$ 0.02	\$ 0.06	\$ (0.04)		100
Total (Monthly) (\$ mil)	\$ 0.99	\$ 0.07	\$ 0.06	\$ 1.12		\$ 0.01		\$ 1.11	\$ 1.16	\$ (0.05)		2,200
Est. Annual Total (\$ mil)	\$ 11.88	\$ 0.86	\$ 0.70	\$ 13.44		\$ 0.09		\$ 13.35	\$ 13.97	\$ (0.62)		

ME Retirees	Medical and Pharmacy	Expenses	Retiree Holdback	Total Monthly Premium	Subsidy & Reserve Allocation			2012 Total Ret. Cost	2011 Total Ret. Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Medicare Eligible												
Retiree Only	\$ 144.75	\$ 0.00		\$ 144.75	\$ 96.93	\$ 6.38		\$ 41.44	\$ 41.44	\$ 0.00	0%	5,523
Retiree & NME SP	538.39	0.00	29.98	568.37	0.00	0.00		568.37	568.37	0.00	0%	101
Retiree & Child(ren)	486.85	0.00		486.85	61.62	4.06		421.17	421.17	0.00	0%	14
Retiree & NME SP&CH	918.61	0.00		918.61	38.65	2.54		877.42	877.42	0.00	0%	3
Retiree & ME SP	289.49	0.00		289.49	111.55	7.35		170.59	170.59	0.00	0%	458
Retiree & ME SP & CH	631.60	0.00		631.60	76.26	5.02		550.32	550.32	0.00	0%	1
Est. Monthly Total (\$mil)	\$ 1.00	\$ 0.00	\$ 0.00	\$ 1.00	\$ 0.59	\$ 0.04		\$ 0.37	\$ 0.37	\$ 0.00		6,100
Total (Est. Annual)	\$ 11.96	\$ 0.00	\$ 0.04	\$ 12.00	\$ 7.05	\$ 0.46		\$ 4.49	\$ 4.49	\$ 0.00		

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 \$)	\$ 17.27	\$ 1.46	\$ 0.26	\$ 0.43	\$ 19.42	\$ 2.50	\$ 1.07	\$ 0.84	\$ 5.05	\$ 9.95	\$ 9.09	\$ 0.86		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 \$)	\$ 1.84	\$ 0.09	\$ 0.03	\$ 0.04	\$ 2.00	\$ 0.24	\$ 0.10	\$ 0.08	\$ 0.50	\$ 1.07	\$ 0.98	\$ 0.10		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 \$)	\$ 0.75	\$ 0.06	\$ 0.02	\$ 0.03	\$ 0.86	\$ 0.17	\$ 0.07	\$ 0.06	\$ 0.33	\$ 0.21	\$ 0.33	\$ (0.12)		2,543
Total (Monthly) (mil \$)	\$ 19.86	\$ 1.61	\$ 0.30	\$ 0.50	\$ 22.27	\$ 2.92	\$ 1.25	\$ 0.99	\$ 5.88	\$ 11.24	\$ 10.40	\$ 0.84		44,851
Est. Annual Total (mil \$)	\$ 238.27	\$ 19.33	\$ 3.64	\$ 6.03	\$ 267.27	\$ 35.00	\$ 15.04	\$ 11.84	\$ 70.51	\$ 134.88	\$ 124.85	\$ 10.03		

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	
Not 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 \$)	\$ 0.99	\$ 0.08	\$ 0.01		\$ 1.08	\$ 0.00				\$ 1.08	\$ 1.22	\$ (0.14)		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 \$)	\$ 0.84	\$ 0.08	\$ 0.00		\$ 0.92	\$ 0.57				\$ 0.36	\$ 0.37	\$ (0.01)		5,332
Total (Est. Monthly)	\$ 1.83	\$ 0.16	\$ 0.01		\$ 2.00	\$ 0.57				\$ 1.43	\$ 1.59	\$ (0.16)		7,367
Est. Annual Total (mil \$)	\$ 21.95	\$ 1.91	\$ 0.16		\$ 24.01	\$ 6.79				\$ 17.22	\$ 19.12	\$ (1.90)		

Appendix B. - Enrollment Details

Updated Proj.
12/31/2012

Average for Year Ending

9/30/2009 9/30/2010 12/31/2011

Health Advantage	Single	28,217	29,827	29,498	Gold	29,176
	Employee/Spouse	1,606	1,530	1,281		1,189
	Employee/Child(ren)	4,945	5,162	5,339		5,431
	Family	1,827	1,820	1,850		1,832
	Total	36,594	38,339	37,968		37,628
	Member Counts	52,125	54,341	54,512		54,260
NovaSys	Single	3,712	2,946	2,308	Silver	2,227
	Employee/Spouse	163	113	79		71
	Employee/Child(ren)	711	521	428		426
	Family	280	185	130		133
	Total	4,864	3,764	2,945		2,857
	Member Counts	7,125	5,365	4,221		4,142
NovaSys HD PPO	Single	1,485	1,833	3,495	Bronze	3,870
	Employee/Spouse	117	155	265		285
	Employee/Child(ren)	188	243	517		588
	Family	217	294	573		637
	Total	2,007	2,524	4,851		5,380
	Member Counts	3,108	4,020	7,791		8,665
TOTAL	Single	33,413	34,605	35,302	TOTAL	35,273
	Employee/Spouse	1,885	1,797	1,625		1,545
	Employee/Child(ren)	5,844	5,925	6,284		6,445
	Family	2,324	2,300	2,553		2,602
	Total	43,465	44,627	45,764		45,865
	Member Counts	62,358	63,727	66,523		67,067

Appendix B. - Enrollment Details

Updated Proj.

Average for Year Ending

9/30/2009 9/30/2010 12/31/2011 12/31/2012

Retirees Not Medicare Eligible (NME) Gold	Retiree Only	1,860	1,735	1,750	1,715
	Retiree + NME Spouse	225	197	187	174
	Retiree + Child(ren)	13	10	9	10
	Retiree + NME Spouse + Child(ren)	2	2	8	9
	Retiree + ME Spouse	3	75	108	123
	Retiree + ME Spouse + Child(ren)	-	0	1	2
	Total	2,105	2,020	2,063	2,033
Silver	Retiree Only	-	-	-	4
	Retiree + NME Spouse	-	-	-	-
	Retiree + Child(ren)	-	-	-	-
	Retiree + NME Spouse + Child(ren)	-	-	-	-
	Total	-	-	-	4
Bronze	Retiree Only	-	-	-	73
	Retiree + NME Spouse	-	-	-	15
	Retiree + Child(ren)	-	-	-	-
	Retiree + NME Spouse + Child(ren)	-	-	-	3
	Total	-	-	-	91
NME Member Counts		2,521	2,352	2,391	2,458

Retirees Medicare Eligible (ME)	Retiree Only	4,205	4,807	5,488	5,915
	Retiree + NME Spouse	137	95	97	93
	Retiree + Child(ren)	12	13	14	14
	Retiree + NME Spouse + Child(ren)	4	3	3	3
	Retiree + ME Spouse	371	413	455	492
	Retiree + ME Spouse + Child(ren)	1	2	1	1
	Total	4,589	5,235	5,602	6,422
ME Member Counts		5,106	5,832	6,647	7,139

Appendix C. - Summary of Plan or Policy Changes

<u>Date</u>	<u>Major Change</u>
For 2012 Plan Year	<p>ARHealth plan became Gold Plan; network is only Health Advantage (Novasys no longer an option) HD PPO became Bronze Plan; network changed from Novasys to Health Advantage Silver Plan with \$25 PCP copay and \$750 deductible offered through Qualchoice NME Retirees eligible to elect Gold, Silver or Bronze (ME Retirees are Gold only) Bariatric surgery covered through pilot program Coverage for Autism added Behavioral Health changed to self-insured and integrated with Medical</p>
For 2011 Plan Year	<p>Lifetime Max for Out-of-Network (OON) changed to match the In Network's (INN) Unlimited Lifetime Maximum Immunizations covered at 100% for OON coverage Some services under behavioral health now do not require pre-authorization Intensive Out-Patient Services under behavioral health now require 20% member coinsurance \$10,000 Benefit Maximum Removed for Durable Medical Equipment / Enteral Feeding Hearing/Vision Screening copayment changed to \$35 OON (ARHealth), and \$35 INN & OON (ARHealth HD) Active and non-Medicare experience was blended in determining the rates Increased credibility was given to the High Deductible Plan in determining the rates Child covered until age 26</p>
For 2010 Plan Year	<p>Hearing Aids benefit added Hearing and Vision exams are now covered as wellness benefits</p>
For 2009 Plan Year	<p><u>AR Health Plan (including Retirees)</u> Coinsurance percentage for In-Network services will increase from 10% to 20% 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> 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>

Appendix D. - Provider Contract Summary

Service Providers	Cost		Effective Dates
Benefit and Claims Coordination (Actives)	<u>ARHealth</u>	<u>ARHealth HD PPO</u>	Rates as of:
- Health Advantage	\$27.53	n/a	Per Employee Per Month
- NovaSys Health	\$13.90	\$13.90	Per Employee Per Month
Benefit and Claims Coordination (Retirees) - Health Advantage			For Calendar Year 2011 unless noted
- 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
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
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 \$)	9/30/2009	9/30/2010	12/31/2011	Updated Proj. 12/31/2012
Net Assets (Prior To IBNR)	\$ 66.1	\$ 68.8	\$ 73.2	\$ 58.1
Incurred But Not Recorded Claims	(24.5)	(27.8)	(27.8)	(27.6)
Net Assets After IBNR	\$ 41.6	\$ 40.9	\$ 45.4	\$ 30.5
ALLOCATED RESERVES				
Active/Retiree Premiums for Plan Year	\$ (1.1)	\$ (1.2)	\$ -	\$ -
Act/Ret Premiums for Next Plan Year	(6.0)	(12.6)	(16.8)	(9.0)
Act/Ret Premiums for 2nd Year After	(6.0)	(11.4)	(12.6)	(3.6)
Catastrophic Reserve	(9.1)	(9.1)	(10.0)	(10.0)
Pharmacy Reward Program	(3.0)	(1.5)	-	-
Total Allocated Reserves	\$ (25.2)	\$ (35.8)	\$ (39.4)	\$ (22.6)
Net Assets Available	\$ 16.4	\$ 5.2	\$ 6.0	\$ 7.9

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 2012 and 2011 projections can be found in our October 11, 2011 (for 2012) and August 31, 2010 (for 2011) letters to Jason Lee.
- Updated Projections:** Projections produced in July 2011 by Cheiron for 2012 rates, adjusted for actual asset experience through December 2011 and enrollment changes through January 2012.

Methods:

- Updated Projections:** Claims, Expenses and Participant Income were adjusted for changes in headcounts only, assuming stable population after December 2011.
Note that the updated projections presented in this report do NOT reflect updated claims experience.
- Incurred Claims:** Based on service dates and process dates through January 31, 2012 (except Novasys claims through December 31, 2011). 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 2011. 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.*

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.