

AGENDA

State and Public School Life and Health Insurance Board

Benefits Sub-Committee

EBD Board Room - 501 Building - 5th Floor

May 11, 2012

1. **Call to Order***Becky Walker, Chairman*
2. **Approval of Minutes***Becky Walker, Chairman*
3. **Brand & Generic Discussion**.....*Dwight Davis, UAMS-EBRx*
4. **2013 Plan Year Rates** *John Colberg, Cheiron*
5. **Director's Report**.....*Jason Lee, Executive Director*

Upcoming Meetings

June 8th

July 13th

October 12th

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
May 11, 2012**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on May 11, 2012 in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

Beck Walker
Janis Harrison
Carla Wooley
Jeff Altemus
Lloyd Black
Gwen Wiggins
Bob Alexander

Members Absent

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

Others Present:

Dwight Davis, UAMS-EBRx, 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 March 9, 2012 minutes. Wooley made the motion to adopt. Harrison seconded. All were in favor. Minutes approved.

BRAND & GENERIC DRUG DISCUSSION by *Dwight Davis, UAMS-EBRx*

Davis informed the committee of an opportunity for plan savings by employing a generic incentive feature. Davis explained the intent of the generic incentive feature is to limit the plan's financial exposure to that of the generic equivalent product. The feature incorporates a financial incentive for plan participants to select generic drugs when they are available.

A discussion ensued.

Altemus made the motion to implement a generic program as recommended by the College of Pharmacy; to include a program where providers can request PA if a valid medical condition requires using the Brand. If the PA is approved the Brand will pay as a third tier drug. If the member insists on the Brand and no PA is obtained, the penalty will be applied. This program would be implemented as soon as possible.

Alexander seconded. All were in favor. Motion carried.

Davis also talked about reference pricing for therapeutic and specialty drugs.

2013 PLAN YEAR RATES by *John Colberg, Cheiron*

Colberg provided an overview of the ASE & PSE Actives and Retires preliminary rates for Plan Year 2013. The committee reviewed trend analysis, projected excess reserves, rate development and a recap of last year's decisions.

Cheiron said they will update the figures in the report over the next month and incorporate additional information and analysis.

No action was taken by the committee.

Meeting adjourned.

Employee Benefits Division
Savings Evaluation Related to the Implementation of Generic Incentive Option
Fourth Quarter 2011

An evaluation of the Employee Benefits Division's prescription drug program was performed to determine potential savings from implementing a generic incentive feature. The plan currently employs a 3-tier formulary benefit (\$10.00 co-payment for generic drugs, \$30.00 co-payment for preferred brands, and \$60.00 co-payment for non-preferred brands, including multi-source brands). These co-payments are required for each 31-day supply of medication.

The specific purpose of this evaluation was to quantify the plan savings opportunity for employing a generic incentive feature. Currently, plan participants may obtain a 31-day supply of a multi-source brand and pay up to \$60.00 – the plan's current 3rd-tier co-payment. Under the generic incentive option, the member would pay the \$10.00 generic co-payment plus the difference in cost between the generic and multi-source brand equivalent. The intent of the generic incentive feature is to limit the plan's financial exposure to that of the generic equivalent product. Use of this feature incorporates a financial incentive for plan participants to select generic drugs when they are available. Alternatively, this feature creates a significant financial barrier to selecting multi-source brands. Multi-source brands, in most cases, are much more costly but provide no additional clinical benefit. This evaluation models the implementation of the generic incentive option. In some cases, the generic incentive feature produces additional plan savings beyond the current design of collecting the third-tier (\$60.00) co-payment for multi-source brands.

The dataset for analysis included paid claims experience for "A-rated" generics and their corresponding multi-source brands for the Employee Benefits Division prescription plan. During the fourth quarter 2011, the plan's utilization included 389 generic/multi-source brand pairs. The generic incentive co-pay logic was applied to all 389 multi-source brands to determine if plan savings would result beyond the brand co-payment that was originally collected. By employing the generic incentive scenario, savings resulted with 230 multi-source brands. **The additional co-payment that would have been collected amounted to \$304,980 during the fourth quarter 2011 – or approximately \$1,200,000 annually in plan savings.**

Note: The above referenced incentive option would have no impact on the Bronze plan as all covered medications are subject to deductible and co-insurance rather than co-payment.

The table below provides additional breakdown between the generics and multi-source brands evaluated for 4Q11.

4Q11	Generics	Multi-Source Brands
Number of Rx's	233,300	3,672
Total Rx Cost	\$7,464,633	\$892,277
Total Member Paid	\$2,285,904	\$240,368
Total Plan Paid	\$5,178,729	\$651,909
Average Cost/Rx	\$32.00	\$242.99
Average Member Paid/Rx	\$9.80	\$65.46
Average Plan Paid/Rx	\$22.20	\$177.54

Additionally, the table below provides specific examples found in EBD's prescription drug claims illustrating the price difference between a given multi-source brand and its corresponding generic product.

Drug	Quantity	Average Price/Rx	Difference
Prozac 20mg	30	\$206.16	\$196.65
<i>fluoxetine 20mg (generic)</i>	30	\$9.51	
Valium 10mg	60	\$360.56	\$351.21
<i>diazepam 10mg (generic)</i>	60	\$9.35	
Cellcept 500mg	114	\$1,146.71	\$837.02
<i>mycophenolate 500mg (generic)</i>	114	\$309.69	
Wellbutrin XL 150mg	40	\$280.13	\$220.94
<i>bupropion XL 150mg</i>	40	\$59.19	

Recommendation: Consider implementing a generic incentive feature that would function in the following manner in the event that a multi-source brand is selected:

Co-payment would be the GREATER OF (1) the generic co-payment plus the difference in cost between the brand and generic or (2) the plan's third-tier co-payment; currently \$60.00. Additionally, exceptions could be handled by one of two methods; (1) case-by-case review through the EBRx call center – UAMS College of Pharmacy or (2) appropriate use of "Dispense-As-Written (DAW)" logic would allow physicians, pharmacists, and patients the latitude to select the multi-source brand when deemed necessary.

This feature would collect the co-payment penalty when the plan's financial exposure exceeds that of the generic equivalent product. The plan's pharmacy benefit manager has acknowledged in the past that this benefit design feature can be supported.

Arkansas State Employees & Public School Employees Health Benefits Program

Preliminary Rates for CY 2013

John Colberg, FSA, MAAA

May 11, 2012





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Projected Excess Reserves

- Projected Excess Reserves as of December 31, 2012:
 - PSE: \$ 7.9 million or about 3% of annual expenses
 - ASE: \$46.2 million or about 17% of annual expenses
- Compared to Last Year's Projected Excess Reserves as of December 31, 2011:
 - PSE: \$ 5.3 million of about 2% of annual expenses
 - ASE: \$ 72.7 million or about 29% of annual expenses



Recap of Last Year's Decisions

- Implemented Gold, Silver, and Bronze Plans effective January 1, 2012
- Selected Medical Networks and Medical Managers for the Gold, Silver, and Bronze Plans
- Used \$18 million of excess reserves for PSE (note that PSE reserves grew substantially in the first 5 months of 2011)
- Used \$37.3 million of excess reserves for ASE



Recap of Last Year's Decisions

- PSE smoothing or how the \$18 million got used:
 1. Increased Gold employee costs 10% from 2011 HA
 2. Decreased Silver employee costs 7.5% from 2011 HA
 3. Held retiree costs constant for Gold retirees (Medicare and Non-Medicare)
 4. Silver and Bronze retiree costs set to 100% of total premium rate
- ASE smoothing or how the \$37.3 million got used :
 1. Held Gold active employee and retiree costs constant
 2. Employees and retirees electing Silver had costs reduced by dollar difference between Gold and Silver total premium rate
 3. State paid 100% of cost for Bronze active employees and 50% of the Bronze dependent costs
 4. Bronze NME retiree costs set to 100% of total premium rate



PSE Actives & NME Retirees

PSE ACTIVE RATE DEVELOPMENT for CY2013

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Gold			Silver			Bronze		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	1/11 - 12/11	1/11 - 12/11		1/11 - 12/11	1/11 - 12/11		1/11 - 12/11	1/11 - 12/11	
	1/11 - 3/12	1/11 - 3/12		1/11 - 3/12	1/11 - 3/12		1/11 - 3/12	1/11 - 3/12	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$169,910,695	\$53,388,440	\$223,299,135	\$1,395,073	\$475,424	\$1,870,497	\$17,038,962	\$2,570,032	\$19,608,994
2 Less High Cost Claims Above (Med/Rx)	\$100,000	\$20,000		\$6,328	\$23,266	\$29,594	\$257,768	\$83,568	\$341,336
3 Net Incurred Claims below Pooling Point [1 - 2]	\$159,067,060	\$49,460,063	\$208,527,123	\$1,388,745	\$452,158	\$1,840,902	\$16,781,194	\$2,486,464	\$19,267,658
4 Person Months for Experience Period	675,003	675,003	675,003	11,588	11,588	11,588	140,361	140,361	140,361
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$235.65	\$73.27	\$308.92	\$119.84	\$39.02	\$158.86	\$119.56	\$17.71	\$137.27
6 Change in Benefits During Experience Period	1.0002	1.0001		0.9198	0.9046		0.9498	0.8482	
7 Change in Network During Experience Period	0.9825	1.0000		1.1531	1.0000		0.8685	1.0000	
8 Change in Demographics or Risk During Experience Period	1.0056	1.0090		0.9892	0.9903		0.9825	0.9697	
9 Change in Geographic During Experience Period	1.0051	0.9918		1.0051	0.9918		1.0000	1.0000	
10 a) Annual Trend Rate	5.8%	5.0%		5.8%	5.0%		5.8%	5.0%	
b) Months to Trend	24	24		24	24		24	24	
c) Trend Adjustment	1.1194	1.1025		1.1194	1.1025		1.1194	1.1025	
11 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9 x 10c]	\$262.01	\$80.85	\$342.86	\$141.47	\$38.22	\$179.69	\$108.46	\$16.06	\$124.52
12 Charge for Claims above Pooling Point PPPM	\$16.06	\$5.82	\$21.88	\$0.55	\$2.01	\$2.55	\$1.84	\$0.60	\$2.43
13 Total Claims Charged PPPM [11 + 12]	\$278.08	\$86.67	\$364.74	\$142.01	\$40.23	\$182.24	\$110.30	\$16.66	\$126.96
14 Change in Future Benefits	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
15 Change in Future Demographics (Age/Gender/Family) or Risk	1.0290	1.0290		1.7021	1.7021		1.1832	1.1832	
16 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
17 Change in Future Network	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
18 Rating Incurred Claim PPPM [18 blended with 19]	\$286.14	\$89.18	\$375.31	\$241.73	\$68.47	\$310.19	\$130.50	\$19.71	\$150.21
19 Projected Persons Months	559,082	559,082	559,082	76,740	76,740	76,740	237,271	237,271	237,271
20 Projected Total Incurred Claims [18 x 19]	\$159,973,258	\$49,857,978	\$209,831,236	\$18,550,079	\$5,254,324	\$23,804,402	\$30,964,530	\$4,676,057	\$35,640,587
21 PPPM Expense Load as % of Claims			\$21.59			\$21.59			\$21.59
22 Projected Expense Loaded PPPM [18 + 21]			\$396.90			\$331.78			\$171.80
23 Retiree Subsidy / Holdback PEPM			\$11.20			\$11.20			\$11.20
24 Projected Total Expense Loaded Cost [(22 x 19) + (23 x 26)]			\$226,372,426			\$26,017,977			\$42,356,777
25 Conversion to Rating Tiers [21 x rating tier x counts]									
Method: Historical									
	x tier	Projected		x tier	Projected		x tier	Projected	
	factor	Ee Months	PEPM	factor	Ee Months	PEPM	factor	Ee Months	PEPM
a) Employee Only	1.12	317,303	\$454.44	1.15	36,898	\$392.37	1.13	97,759	\$205.78
b) Employee & Spouse	3.29	11,318	\$1,316.21	3.38	1,769	\$1,133.38	3.29	9,573	\$576.58
c) Employee & Child(ren)	2.09	53,643	\$839.68	2.15	7,365	\$723.61	2.10	17,293	\$371.90
d) Family	3.31	16,699	\$1,325.85	3.41	3,684	\$1,141.69	3.32	17,671	\$582.27
e) Child(ren) of Medicare Retirees	0.97	240	\$396.43						
26 Rates Balance Confirmation		399,204	\$226,372,426		49,716	\$26,017,977		142,296	\$42,356,777

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

PSE Actives: Scenario A (No Reserves to Retirees)

No New Reserves are Being Allocated

Total Active & Ret (\$ mil)	\$ 308.9	\$ 56.6	\$ 9.0	\$ 74.0	\$ 169.3	\$ 139.6	\$ 29.6		56,468
Actives	Total Monthly Premium	State Cont. Act 1842/1421	Res. Alloc.	School District Contrib.	2013 Total EE Cost	2012 Total EE Cost	Change in Premiums (\$/%)		Assumed Enrollment
Gold									
Employee Only	\$ 454.44	\$ 79.14	\$ 19.08	\$ 131.00	\$ 225.22	\$ 187.36	\$ 37.86	20%	25,131
Employee & Spouse	1,316.20	140.68	33.92	131.00	1,010.60	848.92	161.68	19%	849
Employee & Child(ren)	839.68	107.78	25.99	131.00	574.91	480.56	94.35	20%	4,453
Family	1,325.84	145.70	35.13	131.00	1,014.01	851.20	162.81	19%	1,383
Est. Monthly Total (\$mil)	\$ 18.1	\$ 2.8	\$ 0.7	\$ 4.2	\$ 10.5	\$ 8.7	\$ 1.7		31,817
Silver									
Employee Only	\$ 392.36	\$ 79.14	\$ 19.08	\$ 131.00	\$ 163.14	\$ 157.56	\$ 5.58	4%	2,759
Employee & Spouse	1,133.38	140.68	33.92	131.00	827.78	713.86	113.92	16%	129
Employee & Child(ren)	723.60	107.78	25.99	131.00	458.83	404.10	54.73	14%	612
Family	1,141.70	145.70	35.13	131.00	829.87	715.78	114.09	16%	306
Est. Monthly Total (\$mil)	\$ 2.0	\$ 0.3	\$ 0.1	\$ 0.5	\$ 1.1	\$ 1.0	\$ 0.1		3,806
Bronze									
Employee Only	\$ 205.78	\$ 74.78	\$ 0.00	\$ 131.00	\$ 0.00	\$ 0.00	\$ 0.00	n/a	7,792
Employee & Spouse	576.58	132.94	0.00	131.00	312.64	186.52	126.12	68%	744
Employee & Child(ren)	371.90	101.84	0.00	131.00	139.06	83.32	55.74	67%	1,440
Family	582.28	137.68	0.00	131.00	313.60	188.46	125.14	66%	1,465
Est. Monthly Total (\$mil)	\$ 3.4	\$ 1.0	\$ -	\$ 1.5	\$ 0.9	\$ 0.5	\$ 0.4		11,441
Total (Monthly) (\$ mil)	\$ 23.6	\$ 4.2	\$ 0.8	\$ 6.2	\$ 12.5	\$ 10.3	\$ 2.2		47,064
Est Annual Total (\$ mil)	\$ 282.6	\$ 50.0	\$ 9.1	\$ 74.0	\$ 149.6	\$ 123.3	\$ 26.3		-

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

PSE Actives: Scenario B (Medicare Retirees +10%)

No New Reserves Are Being Allocated

Total Active & Ret (\$ mil)	\$ 308.9	\$ 56.6	\$ 9.0	\$ 74.0	\$ 169.3	\$ 139.6	\$ 29.7		56,468
Actives	Total Monthly Premium	State Cont. Act 1842/1421	Res. Alloc.	School District Contrib.	2013 Total EE Cost	2012 Total EE Cost	Change in Premiums (\$/%)		Assumed Enrollment
Gold									
Employee Only	\$ 454.44	\$ 79.14	\$ 14.37	\$ 131.00	\$ 229.93	\$ 187.36	\$ 42.57	23%	25,131
Employee & Spouse	1,316.20	140.68	25.55	131.00	1,018.97	848.92	170.05	20%	849
Employee & Child(ren)	839.68	107.78	19.57	131.00	581.33	480.56	100.77	21%	4,453
Family	1,325.84	145.70	26.45	131.00	1,022.69	851.20	171.49	20%	1,383
Est. Monthly Total (\$mil)	\$ 18.1	\$ 2.8	\$ 0.5	\$ 4.2	\$ 10.6	\$ 8.7	\$ 1.9		31,817
Silver									
Employee Only	\$ 392.36	\$ 79.14	\$ 14.37	\$ 131.00	\$ 167.85	\$ 157.56	\$ 10.29	7%	2,759
Employee & Spouse	1,133.38	140.68	25.55	131.00	836.15	713.86	122.29	17%	129
Employee & Child(ren)	723.60	107.78	19.57	131.00	465.25	404.10	61.15	15%	612
Family	1,141.70	145.70	26.45	131.00	838.55	715.78	122.77	17%	306
Est. Monthly Total (\$mil)	\$ 2.0	\$ 0.3	\$ 0.1	\$ 0.5	\$ 1.1	\$ 1.0	\$ 0.1		3,806
Bronze									
Employee Only	\$ 205.78	\$ 74.78	\$ 0.00	\$ 131.00	\$ 0.00	\$ 0.00	\$ 0.00	n/a	7,792
Employee & Spouse	576.58	132.94	0.00	131.00	312.64	186.52	126.12	68%	744
Employee & Child(ren)	371.90	101.84	0.00	131.00	139.06	83.32	55.74	67%	1,440
Family	582.28	137.68	0.00	131.00	313.60	188.46	125.14	66%	1,465
Est. Monthly Total (\$mil)	\$ 3.4	\$ 1.0	\$ -	\$ 1.5	\$ 0.9	\$ 0.5	\$ 0.4		11,441
Total (Monthly) (\$ mil)	\$ 23.6	\$ 4.2	\$ 0.6	\$ 6.2	\$ 12.7	\$ 10.3	\$ 2.4		47,064
Est Annual Total (\$ mil)	\$ 282.6	\$ 50.0	\$ 6.8	\$ 74.0	\$ 151.8	\$ 123.3	\$ 28.5		-

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



PSE Non-Medicare Retirees: Scenario A = Scenario B

No New Reserves Are Being Allocated



PSE Detailed Financials



NME Retirees	Total Monthly Premium	Res. Alloc.	2013 Total Ret. Cost	2012 Total Ret. Cost	Change in Premiums (\$/%)	Assumed Enrollment
Gold						
Retiree Only	\$ 454.44	\$ (2.98)	\$ 457.42	\$ 457.42	\$ - 0%	1,129
Retiree & NME SP	1,316.20	0.00	1,316.20	1,152.01	164.19 14%	94
Retiree & Child(ren)	839.68	0.00	839.68	768.28	71.40 9%	12
Retiree & NME SP&CH	1,325.84	0.00	1,325.84	1,159.82	166.02 14%	9
Retiree & ME SP	601.72	0.00	601.72	596.82	4.90 1%	75
Retiree & ME SP & CH	986.96	0.00	986.96	907.71	79.25 9%	1
Est. Monthly Total (\$mil)	\$ 0.7	\$ (0.0)	\$ 0.7	\$ 0.7	\$ 0.0	1,319
Silver						
Employee Only	\$ 392.36	\$ (9.26)	\$ 401.62	\$ 401.62	\$ - 0%	316
Employee & Spouse	1,133.38	0.00	1,133.38	1,097.40	35.98 3%	19
Employee & Child(ren)	723.60	0.00	723.60	712.64	10.96 2%	1
Family	1,141.70	0.00	1,141.70	1,105.20	36.50 3%	1
Est. Monthly Total (\$mil)	\$ 0.1	\$ (0.0)	\$ 0.2	\$ 0.1	\$ 0.0	337
Bronze						
Employee Only	\$ 205.78	\$ 0.00	\$ 205.78	\$ 148.90	\$ 56.88 38%	354
Employee & Spouse	576.58	0.00	576.58	349.34	227.24 65%	54
Employee & Child(ren)	371.90	0.00	371.90	238.70	133.20 56%	1
Family	582.28	0.00	582.28	352.42	229.86 65%	8
Est. Monthly Total (\$mil)	\$ 0.1	\$ -	\$ 0.1	\$ 0.1	\$ 0.0	417
Total (Monthly) (\$ mil)	\$ 1.0	\$ (0.0)	\$ 1.0	\$ 0.9	\$ 0.1	2,073
Est Annual Total (\$ mil)	\$ 11.5	\$ (0.1)	\$ 11.6	\$ 11.0	\$ 0.6	-

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



PSE Medicare Retirees

PSE MEDICARE RETIREE RATE DEVELOPMENT for CY2013

Plan:

Benefit:

Experience Period - Service (Incurred) Dates

Experience Period - Processed (Paid) Dates

	Medicare	
	Medical	Total
	1/11 - 12/11	
	1/11 - 3/12	
1 Total Incurred Medical & Rx Claims (Experience Period)	\$10,351,803	\$10,351,803
2 <u>Less High Cost Claims Above (Med/Rx)</u> \$100,000 \$20,000	<u>\$260,187</u>	<u>\$260,187</u>
3 Net Incurred Claims below Pooling Point [1 - 2]	\$10,091,616	\$10,091,616
4 <u>Person Months for Experience Period</u>	<u>80,399</u>	80,399
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$125.52	\$125.52
6 Change in Benefits During Experience Period	1.0000	
7 Change in Demographics or Risk During Experience Period	1.0023	
8 Change in Geographic During Experience Period	1.0000	
9 a) Annual Trend Rate	7.0%	
b) Months to Trend	24	
c) <u>Trend Adjustment</u>	<u>1.1449</u>	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$144.04	\$144.04
11 <u>Charge for Claims above Pooling Point PPPM</u>	<u>\$3.24</u>	<u>\$3.24</u>
12 Total Claims Charged PPPM [9 + 10]	\$147.28	\$147.28
13 Change in Future Benefits	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0000	
15 Change in Future Geographic	1.0000	
16 <u>Change in Future Network</u>	<u>1.0000</u>	
17 Projected Incurred Claim PPPM [13x 14 x15x16]	\$147.28	\$147.28
18 <u>Projected Persons Months</u>	<u>96,031</u>	96,031
19 Projected Total Incurred Claims [17 x 18]	\$14,143,440	\$14,143,440

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



PSE Retirees

PSE GOLD RETIREE RATE DEVELOPMENT for CY2013

1 Conversion to Rating Tiers

PPPM [17]

Method:

Historical

- a) NME Retiree
- b) NME Retiree & NME Spouse
- c) NME Retiree & Child(ren)
- d) NME Retiree & NME Spouse & Child(ren)
- e) NME Retiree & ME Spouse
- f) NME Retiree & ME Spouse & Child(ren)
- g) ME Retiree
- h) ME Retiree & NME Spouse
- i) ME Retiree & Child(ren)
- j) ME Retiree & NME Spouse & Child(ren)
- k) ME Retiree & ME Spouse
- l) ME Retiree & ME Spouse & Child(ren)

	<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>Ret Months</u>	<u>PEPM</u>
a)	1.12	\$454.44	-	\$0.00	13,545	\$454.44
b)	3.29	\$1,316.21	-	\$0.00	1,128	\$1,316.21
c)	2.09	\$839.68	-	\$0.00	145	\$839.68
d)	3.31	\$1,325.85	-	\$0.00	103	\$1,325.85
e)	1.12	\$454.44	1.00	\$147.28	897	\$601.72
f)	2.09	\$839.68	1.00	\$147.28	10	\$986.96
g)		\$0.00	1.00	\$147.28	79,308	\$147.28
h)	1.12	\$443.24	1.00	\$147.28	1,284	\$590.52
i)	0.97	\$385.23	1.00	\$147.28	180	\$532.51
j)	2.20	\$871.40	1.00	\$147.28	48	\$1,018.68
k)		\$0.00	2.00	\$294.56	7,140	\$294.56
l)	0.97	\$385.23	2.00	\$294.56	12	\$679.79
		<u>\$8,999,695</u>		<u>\$14,143,440</u>		<u>\$23,143,135</u>

2 Rates Balance Confirmation

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



PSE Retirees – Medicare Eligible: Scenario A (No Reserve Allocation to Medicare Retirees)



PSE Detailed Financials



ME Retirees	Total Monthly Premium	Subsidy / Holdback	Res. Alloc.	2013 Total Ret. Cost	2012 Total Ret. Cost	2009 Total Ret. Cost	Change in Premiums (\$/%)	Assumed Enrollment
Medicare Eligible								
Retiree Only	\$ 147.28	\$ 74.87	\$ -	\$ 72.41	\$ 41.44	\$ 41.44	\$ 30.97 75%	6,609
Retiree & NME SP	590.52	15.67	0.00	574.85	568.37	674.34	\$6.48 1%	107
Retiree & Child(ren)	532.51	78.76	0.00	453.75	421.17	421.18	\$32.58 8%	15
Retiree & NME SP&CH	1,018.68	99.93	0.00	918.75	877.42	1,054.08	\$41.33 5%	4
Retiree & ME SP	294.56	87.69	0.00	206.87	170.59	170.60	\$36.28 21%	595
Retiree & ME SP & CH	679.79	91.58	0.00	588.21	550.32	550.33	\$37.89 7%	1
Est. Monthly Total (\$mil)	\$ 1.2	\$ 0.6	\$ -	\$ 0.7	\$ 0.4	\$ 0.5	\$ 0.2	7,331
Total (Est. Annual)	\$ 14.7	\$ 6.6	\$ -	\$ 8.1	\$ 5.4	\$ 5.5	\$ 2.7	-

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

PSE Retirees – Medicare Eligible: Scenario B (Retiree Cost +10%) No New Reserves Are Being Allocated



PSE Detailed Financials

H-scan

ME Retirees	Total Monthly Premium	Subsidy / Holdback	Res. Alloc.	2013 Total Ret. Cost	2012 Total Ret. Cost	2009 Total Ret. Cost	Change in Premiums (\$/%)	Assumed Enrollment
Medicare Eligible								
Retiree Only	\$ 147.28	\$ 75.93	\$ 25.77	\$ 45.58	\$ 41.44	\$ 41.44	\$ 4.14 10%	6,609
Retiree & NME SP	590.52	0.00	0.00	590.52	568.37	674.34	\$22.15 4%	107
Retiree & Child(ren)	532.51	51.68	17.54	463.29	421.17	421.18	\$42.12 10%	15
Retiree & NME SP&CH	1,018.68	39.96	13.56	965.16	877.42	1,054.08	\$87.74 10%	4
Retiree & ME SP	294.56	79.83	27.08	187.65	170.59	170.60	\$17.06 10%	595
Retiree & ME SP & CH	679.79	55.58	18.86	605.35	550.32	550.33	\$55.03 10%	1
Est. Monthly Total (\$mil)	\$ 1.2	\$ 0.6	\$ 0.2	\$ 0.5	\$ 0.4	\$ 0.5	\$ 0.0	7,331
Total (Est. Annual)	\$ 14.7	\$ 6.6	\$ 2.2	\$ 5.9	\$ 5.4	\$ 5.5	\$ 0.5	-

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



ASE Actives & NME Retirees

ASE ACTIVE RATE DEVELOPMENT for CY2013

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Gold			Silver			Bronze		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	1/11 - 12/11	1/11 - 12/11		1/11 - 12/11	1/11 - 12/11		1/11 - 12/11	1/11 - 12/11	
	1/11 - 3/12	1/11 - 3/12		1/11 - 3/12	1/11 - 3/12		1/11 - 3/12	1/11 - 3/12	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$146,499,405	\$43,942,340	\$190,441,745	\$460,668	\$128,636	\$589,304	\$2,602,711	\$225,878	\$2,828,590
2 Less High Cost Claims Above (Med/Rx)	\$100,000	\$20,000		\$0	\$0	\$0	\$28,854	\$0	\$28,854
3 Net Incurred Claims below Pooling Point [1 - 2]	\$136,961,549	\$40,263,867	\$177,225,416	\$460,668	\$128,636	\$589,304	\$2,573,857	\$225,878	\$2,799,736
4 Person Months for Experience Period	602,533	602,533	602,533	4,811	4,811	4,811	26,637	26,637	26,637
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$227.31	\$66.82	\$294.13	\$95.75	\$26.74	\$122.49	\$96.63	\$8.48	\$105.11
6 Change in Benefits During Experience Period	1.0001	1.0001		0.9335	0.9578		0.9489	0.8427	
7 Change in Network During Experience Period	0.9909	1.0000		1.1466	1.0000		0.8544	1.0000	
8 Change in Demographics or Risk During Experience Period	0.9976	0.9971		0.9860	0.9660		0.9997	0.9853	
9 Change in Geographic During Experience Period	1.0003	1.0002		1.0003	1.0002		1.0000	1.0000	
10 a) Annual Trend Rate	5.8%	5.0%		5.8%	5.0%		5.8%	5.0%	
b) Months to Trend	24	24		24	24		24	24	
c) Trend Adjustment	1.1194	1.1025		1.1194	1.1025		1.1194	1.1025	
11 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9 x 10c]	\$251.63	\$73.48	\$325.11	\$113.13	\$27.28	\$140.41	\$87.66	\$7.76	\$95.43
12 Charge for Claims above Pooling Point PPPM	\$15.83	\$6.11	\$21.93	\$0.00	\$0.00	\$0.00	\$1.08	\$0.00	\$1.08
13 Total Claims Charged PPPM [11 + 12]	\$267.46	\$79.58	\$347.04	\$113.13	\$27.28	\$140.41	\$88.75	\$7.76	\$96.51
14 Change in Future Benefits	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
15 Change in Future Demographics (Age/Gender/Family) or Risk	1.0071	1.0071		1.6683	1.6683		1.3631	1.3631	
16 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
17 Change in Future Network	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
18 Rating Incurred Claim PPPM [18 blended with 19]	\$269.35	\$80.14	\$349.49	\$188.74	\$45.51	\$234.25	\$120.97	\$10.58	\$131.55
19 Projected Persons Months	588,683	588,683	588,683	25,083	25,083	25,083	42,783	42,783	42,783
20 Projected Total Incurred Claims [18 x 19]	\$158,561,217	\$47,178,627	\$205,739,845	\$4,734,109	\$1,141,604	\$5,875,713	\$5,175,464	\$452,692	\$5,628,156
21 PPPM Expense Load as % of Claims			\$23.16			\$23.16			\$23.16
22 Projected Expense Loaded PPPM [18 + 21]			\$372.65			\$257.41			\$154.71
23 Projected Total Expense Loaded Cost [(22 x 19) + (23 x 26)]			\$219,374,995			\$6,456,686			\$6,619,092
24 Conversion to Rating Tiers [21 x rating tier x counts]									
Method: Historical	x tier	Projected	PEPM	x tier	Projected	PEPM	x tier	Projected	PEPM
	factor	Ee Months		factor	Ee Months		factor	Ee Months	
a) Employee Only	1.17	195,209	\$435.12	1.18	7,041	\$302.74	1.16	12,918	\$179.43
b) Employee & Spouse	2.96	42,906	\$1,101.64	2.98	1,877	\$766.47	2.90	3,333	\$447.93
c) Employee & Child(ren)	1.81	58,984	\$674.90	1.82	2,303	\$469.58	1.79	3,129	\$276.22
d) Family	3.30	38,340	\$1,228.68	3.32	2,111	\$854.89	3.23	3,888	\$500.01
e) Child(ren) of Medicare Retirees	0.64	1,053	\$239.78				-		
25 Rates Balance Confirmation		336,492	\$219,374,995		13,332	\$6,456,686		23,268	\$6,619,092

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



ASE Actives

\$32.3 million of New Reserves Allocated *



ASE Detailed Financials



Total Active & Ret (\$ mil)	\$274.6	\$161.5	\$27.4	\$85.7	\$85.7	\$0.0		38,213
Actives	Total Monthly Premium	State Contrib.	Reserve Alloc.	2013 EE Total Cost	2012 EE Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Gold								
Employee Only	\$ 435.12	\$ 285.30	\$ 54.04	\$ 95.78	\$ 95.78	\$0.00	0%	14,380
Employee & Spouse	1,101.64	617.03	116.87	367.74	367.74	0.00	0%	3,164
Employee & Child(ren)	674.90	404.62	76.64	193.64	193.64	0.00	0%	4,803
Family	1,228.68	680.22	128.84	419.62	419.62	0.00	0%	3,167
Est. Monthly Total (\$mil)	\$ 16.9	\$ 10.2	\$ 1.9	\$ 4.8	\$ 4.8	\$0.00		25,514
Silver								
Employee Only	\$ 302.74	\$ 240.62	\$0.00	\$ 62.12	\$ 62.12	\$0.00	0%	488
Employee & Spouse	766.48	483.96	0.00	282.52	282.52	0.00	0%	123
Employee & Child(ren)	469.58	328.14	0.00	141.44	141.44	0.00	0%	169
Family	854.88	530.28	0.00	324.60	324.60	0.00	0%	173
Est. Monthly Total (\$mil)	\$ 0.5	\$ 0.3	\$0.0	\$ 0.1	\$ 0.1	\$0.00		954
Bronze								
Employee Only	\$ 179.44	\$ 179.44	\$0.00	\$ -	\$0.00	\$0.00	n/a	970
Employee & Spouse	447.94	370.72	0.00	77.22	77.22	0.00	0%	242
Employee & Child(ren)	276.22	248.38	0.00	27.84	27.84	0.00	0%	236
Family	500.02	407.82	0.00	92.20	92.20	0.00	0%	321
Est. Monthly Total (\$mil)	\$ 0.5	\$ 0.5	\$0.0	\$ 0.1	\$ 0.1	\$ 0.0		1,769
Total (Monthly) (\$ mil)	\$ 17.9	\$ 10.9	\$ 1.9	\$ 5.0	\$ 5.0	\$ 0.00		28,237
Est Annual Total (\$ mil)	\$ 214.2	\$ 131.2	\$ 23.1	\$ 60.0	\$ 60.0	\$ 0.00		

* Without new reserve allocation, employee & retiree costs would increase 19% on average but would vary by plan and category.

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



ASE NME Retirees

\$32.3 million of New Reserves Allocated



ASE Detailed Financials



NME Retirees	Total Monthly Premium	State Contrib.	Reserve Alloc.	2013 Ret. Total Cost	2012 Ret. Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Gold								
Retiree Only	\$ 410.78	\$ 175.04	\$0.00	\$ 235.74	\$ 235.74	\$0.00	0%	1,221
Retiree & NME SP	1,040.02	394.16	69.98	575.88	575.88	0.00	0%	412
Retiree & Child(ren)	637.16	197.32	0.00	439.84	439.84	0.00	0%	66
Retiree & NME SP&CH	1,159.96	243.24	0.00	916.72	916.72	0.00	0%	28
Retiree & ME SP	775.78	314.89	59.35	401.54	401.54	0.00	0%	213
Retiree & ME SP & CH	1,002.16	382.80	12.59	606.77	606.77	0.00	0%	11
Est. Monthly Total (\$mil)	\$ 1.2	\$ 0.5	\$0.0	\$0.7	\$0.7	\$0.0		1,951
Silver								
Employee Only	\$ 302.74	\$ 100.66	\$0.00	\$ 202.08	\$ 202.08	\$0.00	0%	98
Employee & Spouse	766.48	275.82	0.00	490.66	490.66	0.00	0%	33
Employee & Child(ren)	469.58	81.94	0.00	387.64	387.64	0.00	0%	23
Family	854.88	33.20	0.00	821.68	821.68	0.00	0%	3
Est. Monthly Total (\$mil)	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		157
Bronze								
Employee Only	\$ 179.44	\$ 32.98	\$0.00	\$ 146.46	\$ 146.46	\$0.00	0%	106
Employee & Spouse	447.94	147.02	0.00	300.92	300.92	0.00	0%	36
Employee & Child(ren)	276.22	74.08	0.00	202.14	202.14	0.00	0%	24
Family	500.02	169.14	0.00	330.88	330.88	0.00	0%	3
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		170
Total (Monthly) (\$ mil)	\$ 1.3	\$ 0.5	\$0.0	\$ 0.8	\$ 0.8	\$0.0		2,278
Est Annual Total (\$ mil)	\$ 15.5	\$ 6.0	\$ 0.5	\$ 9.0	\$ 9.0	\$0.0		

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



ASE Medicare Retirees

ASE MEDICARE RETIREE RATE DEVELOPMENT for CY2013

Plan:

Benefit:

Experience Period - Service (Incurred) Dates

Experience Period - Processed (Paid) Dates

	Medicare		Total
	Medical	Pharmacy	
	1/11 - 12/11	1/11 - 12/11	
	1/11 - 3/12	1/11 - 3/12	
1 Total Incurred Medical & Rx Claims (Experience Period)*	\$15,630,894	\$19,331,375	\$34,962,269
2 <u>Less High Cost Claims Above (Med/Rx)*</u> \$100,000 \$20,000	\$632,253	\$1,754,773	\$2,387,026
3 Net Incurred Claims below Pooling Point [1 - 2]	\$14,998,641	\$17,576,602	\$32,575,243
4 <u>Person Months for Experience Period</u>	106,602	106,602	106,602
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$140.70	\$164.88	\$305.58
6 Change in Benefits During Experience Period	1.0000	1.0000	
7 Change in Demographics or Risk During Experience Period	0.9984	1.0000	
8 Change in Geographic During Experience Period	1.0000	1.0000	
9 a) Annual Trend Rate	7.0%	5.0%	
b) Months to Trend	24	24	
c) <u>Trend Adjustment</u>	<u>1.1449</u>	<u>1.1025</u>	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$160.83	\$181.78	\$342.61
11 <u>Charge for Claims above Pooling Point PPPM</u>	<u>\$5.93</u>	<u>\$16.46</u>	<u>\$22.39</u>
12 Total Claims Charged PPPM [10 + 11]	\$166.76	\$198.24	\$365.00
13 Change in Future Benefits (Level/Mgt/Discounts)	1.0000	1.0000	
14 Change in Future Demographics (Age/Gender/Family) or Risk	1.0000	1.0000	
15 Change in Future Geographic	1.0000	1.0000	
16 <u>Change in Future Network</u>	<u>1.0000</u>	<u>1.0000</u>	
17 Projected Incurred Claim PPPM [13x 14 x15x16]	\$166.76	\$198.24	\$365.00
18 <u>Projected Persons Months</u>	117,916	117,916	117,916
19 Projected Total Incurred Claims [17 x 18]	\$19,663,734	\$23,375,823	\$43,039,557



ASE Medicare Retirees

ASE GOLD RETIREE RATE DEVELOPMENT for CY2013

1 Conversion to Rating Tiers		PPPM [17]	<u>x Non-Med.</u>	<u>Non-Med.</u>	<u>x Medicare</u>	<u>Medicare</u>	<u>Projected</u>	<u>TOTAL</u>
Method:	Historical		<u>tier factor</u>	<u>PEPM</u>	<u>tier factor</u>	<u>PEPM</u>	<u>Ee Months</u>	<u>PEPM</u>
a)	NME Retiree		1.17	\$410.79	-	\$0.00	14,650	\$410.79
b)	NME Retiree & NME Spouse		2.96	\$1,040.02	-	\$0.00	4,938	\$1,040.02
c)	NME Retiree & Child(ren)		1.81	\$637.16	-	\$0.00	797	\$637.16
d)	NME Retiree & NME Spouse & Child(ren)		3.30	\$1,159.96	-	\$0.00	340	\$1,159.96
e)	NME Retiree & ME Spouse		1.17	\$410.79	1.00	\$365.00	2,561	\$775.79
f)	NME Retiree & ME Spouse & Child(ren)		1.81	\$637.16	1.00	\$365.00	126	\$1,002.16
g)	ME Retiree		-	\$0.00	1.00	\$365.00	62,877	\$365.00
h)	ME Retiree & NME Spouse		1.17	\$410.79	1.00	\$365.00	5,436	\$775.79
i)	ME Retiree & Child(ren)		0.64	\$226.37	1.00	\$365.00	787	\$591.37
j)	ME Retiree & NME Spouse & Child(ren)		2.13	\$749.17	1.00	\$365.00	423	\$1,114.18
k)	ME Retiree & ME Spouse		-	\$0.00	2.00	\$730.00	22,587	\$730.00
l)	ME Retiree & ME Spouse & Child(ren)		0.64	\$226.37	2.00	\$730.00	266	\$956.38
2 Rates Balance Confirmation				\$15,976,681		\$43,039,557		\$59,016,238

* Pharmacy Cost for Medicare has subtracted the RDS Subsidy.

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



ASE ME Retirees

\$32.3 million of New Reserves Allocated

CHEIRON **ASE Detailed Financials** **H-scan**

ME Retirees	Total Monthly Premium	State Contrib.	Reserve Alloc.	2013 Ret. Total Cost	2012 Ret. Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Medicare Eligible								
Retiree Only	\$ 365.00	\$ 219.00	\$ 28.88	\$ 117.12	\$ 117.12	\$0.00	0%	5,240
Retiree & NME SP	775.79	329.07	0.00	446.72	446.72	0.00	0%	453
Retiree & Child(ren)	591.37	276.51	0.00	314.86	314.86	0.00	0%	66
Retiree & NME SP&CH	1,114.18	469.70	0.00	644.48	644.48	0.00	0%	35
Retiree & ME SP	730.00	365.00	86.51	278.49	278.49	0.00	0%	1,882
Retiree & ME SP & CH	956.38	455.55	24.59	476.24	476.24	0.00	0%	22
Est. Monthly Total (\$ mil)	\$ 3.7	\$ 2.0	\$ 0.3	\$ 1.4	\$ 1.4	\$0.0		7,698
Total (Est. Annual)	\$ 44.8	\$ 24.3	\$ 3.8	\$ 16.7	\$ 16.7	\$0.0		

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



Appendices



Appendix A – PSE Actives 2012 Final Rate Details

Actives	Medical and Pharmacy*	Expenses	Retirement Subsidy	Total Monthly Premium	State Cont. (Act 1842/1421)	Res. Alloc.	School District Contrib.	2012 Total EE Cost	2011 Total EE 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)	\$19.1	\$1.2	\$0.4	\$20.8	\$3.8	\$1.3	\$5.0	\$10.7	\$9.7	\$1.0		38,000
Silver												
									(2011 HA)			
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)	\$0.9	\$0.1	\$0.0	\$1.0	\$0.2	\$0.1	\$0.3	\$0.5	\$0.5	\$0.0		2,000
Bronze												
Employee Only	\$105.18	\$32.52	\$11.20	\$148.90	\$17.90	\$0.00	\$131.00	\$0.00	\$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)	\$1.0	\$0.2	\$0.1	\$1.3	\$0.1	\$0.0	\$0.9	\$0.2	\$0.5	-\$0.3		7,000
Total (Monthly) (\$ mil)	\$21.0	\$1.5	\$0.5	\$23.1	\$4.2	\$1.4	\$6.2	\$11.4	\$10.8	\$0.7		47,000
Est Annual Total (\$ mil)	\$252.4	\$18.3	\$6.3	\$277.0	\$50.0	\$16.2	\$73.9	\$136.9	\$129.1	\$7.8		



Appendix A – PSE Retirees 2012 Final Rate Details

NME Retirees	Medical and Pharmacy*	Expenses	Retiree Holdback	Total Monthly Premium		Res. Alloc.		2012 Total Ret. Cost	2011 Total Ret. Cost	Change in Retiree 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)	\$0.9	\$0.1	\$0.1	\$1.0		\$0.0		\$1.0	\$1.0	\$0.0	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)	\$0.1	\$0.0	\$0.0	\$0.1		\$0.0		\$0.1	\$0.1	\$0.0	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)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0		\$0.0	\$0.1	\$0.0	100
Total (Monthly) (\$ mil)	\$1.0	\$0.1	\$0.1	\$1.1		\$0.0		\$1.1	\$1.2	(\$0.1)	2,200
Est Annual Total (\$ mil)	\$11.9	\$0.9	\$0.7	\$13.4		\$0.1		\$13.3	\$14.0	(\$0.6)	
ME Retirees	Medical and Pharmacy*	Expenses		Total Monthly Premium	Subsidy / Holdback	Res. Alloc.		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)	\$1.0	\$0.0	\$0.0	\$1.0	\$0.6	\$0.0		\$0.4	\$0.4	\$0.0	6,100
Total (Est. Annual)	\$12.0	\$0.0	\$0.0	\$12.0	\$7.0	\$0.5		\$4.5	\$4.5	\$0.0	

Appendix A – ASE Actives

2012 Final Rate Details

Actives	Medical and Pharmacy	Expenses	Total Monthly Premium	State Contrib.	Reserve Alloc.	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)	\$15.3	\$1.1	\$16.4	\$10.4	\$1.2	\$4.8	\$4.8	\$0.0		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)	\$0.7	\$0.1	\$0.7	\$0.5	\$0.1	\$0.2	\$0.2	(\$0.1)		1,250
Bronze										
Employee Only	\$103.22	\$43.24	\$146.46	\$146.46	\$0.00	\$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)	\$0.2	\$0.1	\$0.3	\$0.2	\$0.0	\$0.0	\$0.1	(\$0.0)		1,400
Total (Monthly) (\$ mil)	\$16.2	\$1.2	\$17.4	\$11.2	\$1.3	\$5.0	\$5.1	(\$0.1)		28,200
Est Annual Total (\$ mil)	\$194.4	\$14.6	\$209.0	\$133.8	\$15.5	\$59.7	\$60.9	(\$1.2)		

Appendix A – ASE Retirees 2012 Final Rate Details

NME Retirees	Medical and Pharmacy*	Expenses	Total Monthly Premium	State Contributions and Reserves		2012 Ret. Total Cost	2011 Ret. 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)	\$1.1	\$0.1	\$1.2	\$0.5	\$0.0	\$0.7	\$0.7	\$0.0	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)	\$0.1	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1	\$0.1	(\$0.0)	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)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	100	
Total (Monthly) (\$ mil)	\$1.3	\$0.1	\$1.4	\$0.6	\$0.0	\$0.7	\$0.8	(\$0.0)	2,300	
Est Annual Total (\$ mil)	\$15.1	\$1.1	\$16.3	\$6.8	\$0.5	\$8.9	\$9.1	(\$0.1)		
ME Retirees	Medical and Pharmacy*	Expenses	Total Monthly Premium	State Contributions and Reserves		2012 Ret. Total Cost	2011 Ret. Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Medicare Eligible										
Retiree Only	\$344.61	\$0.00	\$344.61	\$206.76	\$20.72	\$117.12	\$117.12	\$0.00 0%	4,758	
Retiree & NME SP	740.75	0.00	740.75	294.03	0.00	446.72	446.72	0.00 0%	340	
Retiree & Child(ren)	562.91	0.00	562.91	248.05	0.00	314.86	314.86	0.00 0%	52	
Retiree & NME SP&CH	1,067.08	0.00	1,067.08	422.60	0.00	644.48	644.48	0.00 0%	27	
Retiree & ME SP	689.21	0.00	689.21	344.61	66.12	278.49	278.49	0.00 0%	1,811	
Retiree & ME SP & CH	907.52	0.00	907.52	431.28	0.00	476.24	476.24	0.00 0%	13	
Est. Monthly Total (\$ mil)	\$3.2	\$0.0	\$3.2	\$1.7	\$0.2	\$1.3	\$1.3	\$0.0	7,000	
Total (Est. Annual)	\$38.5	\$0.0	\$38.5	\$20.8	\$2.6	\$15.0	\$15.0	\$0.0		



Appendix B - Benefit Options

Benefit Option Name: Last Modified: Plan Coverage Relative Value: Provider Network:	Gold 1/1/2012 1.00 Health Advantage	Silver 1/1/2012 QualChoice	Bronze 1/1/2012 Heath Advantage
<u>In-Network (INN) Benefits</u>			
Deductible (Individual / Family)	None / None	\$750 / \$1500	\$1500 / \$3000
Coinsurance	20%	20%	20%
Copays			
Office Visit - Primary Care (PCP)	\$25	\$25	Ded. & Coins.
OV - Specialist Care Provider (SCP)	\$35	\$50	Ded. & Coins.
Urgent Care (UC)	\$100	\$150	Ded. & Coins.
Emergency Room (ER) Non-admitted	\$100	\$150	Ded. & Coins.
Outpatient Surgery	\$100 then Ded. & Coins.	\$150 then Ded. & Coins.	Ded. & Coins.
Hospital Inpatient	\$250 then Ded. & Coins.	\$300 then Ded. & Coins.	Ded. & Coins.
Out-of-Pocket Max (Individual / Family)	\$1500 / \$3000	\$2000 / \$4000	\$2500 / \$5000
<u>Out-of-Network (OON) Benefits</u>¹			
Deductible (Individual / Family)	\$1000 / \$2000	\$1500 / \$3000	\$3000 / \$6000
Coinsurance	40%	40%	40%
Out-of-Pocket 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 (31 Days) - Generic/Formulary /Non-Form.	\$10 / \$30 / \$60	\$10 / \$35 / \$70	Ded. & Coins.
Mail Order (93 Days) - Generic/Form. /Non-Form.	\$30 / \$90 / \$180	\$30 / \$105 / \$210	Ded. & Coins.
<u>Selected Detail Benefits</u>			
Psychiatry	INN: \$25 Copay; OON: Ded & Coins.	INN: \$25 Copay; OON: Ded & Coins.	Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical):	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Chiropractors:	INN: \$35 then Ded & Coins; OON: Ded & Coins.	INN: \$50 then Ded & Coins; OON: 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.
Durable Medical Equipment (DME):	Ded. & Coins.	Ded. & Coins.	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



Appendix B - Benefit Options (Cont.)

<u>Medical Management</u>			
PCP referral to specialists required:	No	No	No
Inpatient:	Yes	Yes	Yes
Outpatient:	Selected	Selected	Selected
Case Management:	Yes	Yes	Yes
Disease Management:	Yes, select conditions	Yes, select conditions	Yes, select conditions
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		

¹When an in-network provider is not available within 50 miles for a hospital and 25 miles for all other providers, then in-network



Appendix C

Assumptions & Methods

- Key assumptions and methods are shown on the rating worksheets and detailed financial pages developing the rates. Note that results are not final and can change. Additional details about the assumptions and methods will be provided in follow-up documentation once final rates are adopted.
- In preparing the information in this presentation, we relied without audit, on information (some oral and some written) supplied by the EBD and the plan's vendors. This information includes, but is not limited to, the plan provisions, employee eligibility data, financial information and claims data.
- Cheiron's presentation was prepared exclusively for the State of Arkansas for a specific and limited purpose. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Cheiron's work product (other than the Fund's auditor, attorney, third party administrator or other professional when providing professional services to the Fund) who desires professional guidance should not rely upon Cheiron's work product, but should engage qualified professionals for advice appropriate to its own specific needs.
- Please see the following slides for more information about the trend assumption.
- The figures in this report are preliminary. Cheiron intends to update them over the next month to incorporate additional information that we will receive and additional analysis that we will perform.



Trend Analysis

AR Health - Preliminary ASE Trend Development

Experience Period:	CY2011/ CY2010/	CY2011/ CY2010	CY2011/ CY2010	1/11 v 1/10	1/11 v 1/10	CY2011/ CY2010 Underlying Incurred Util & Price Trend	CY2011/ CY2010 Underlying Paid Util & Price Trend	PY12/PY11 Adjustment	Used for CY 2012 rates	Preliminary Recommended CY 2013 rates
Type of Claims:	Paid PMPM Actual	Incurred PMPM Actual	Incurred Benefit Changes	Incurred Demo Changes	Incurred Geo Changes	Incurred Util & Price Trend	Incurred Util & Price Trend	Marketplace Potential & Other Factors	Incurred Annual Trend Assumption	Incurred Annual Trend Assumption
Medical - Actives and NME Retirees										
1 Health Advantage	2.3%	1.8%	0.0%	-0.6%	0.0%	2.4%	2.9%			
2 Novasys	12.8%	5.7%	0.0%	-0.6%	0.0%	6.3%	13.4%			
3 Novasys HD	-17.8%	1.1%	0.0%	0.6%	2.1%	-1.5%	-19.9%			
4 Medical - Actives and NME	2.6%	2.0%	0.0%	-0.6%	0.0%	2.5%	3.2%		5.8%	5.8%
5 Medical - ME Retirees	2.9%	-0.2%	0.0%	-0.2%	0.0%	0.0%	3.0%	2.5%	7.0%	7.0%
6 Rx - Actives and NME Retirees*	3.5%	3.5%	0.0%	-0.6%	0.0%	4.1%	4.0%	3.0%	3.5%	5.0%

* blended based on medical claims

AR Health - Preliminary PSE Trend Development

Experience Period:	CY2011/ CY2010	CY2011/ CY2010	CY2011/ CY2010	1/11 v 1/10	1/11 v 1/10	CY2011/ CY2010 Underlying Incurred Util & Price Trend	same as F CY2011/ CY2010 Underlying Paid Util & Price Trend	PY12/PY11 Adjustment	Used for CY 2012 rates	Preliminary Recommended CY 2013 rates
Type of Claims:	Paid PMPM Actual	Incurred PMPM Actual	Incurred Benefit Changes	Incurred Demo Changes	Incurred Geo Changes	Incurred Util & Price Trend	Incurred Util & Price Trend	Marketplace Potential & Other Factors	Incurred Annual Trend Assumption	Incurred Annual Trend Assumption
Medical - Actives and NME Retirees										
1 Health Advantage	2.5%	2.4%	0.0%	-0.1%	-0.1%	2.6%	2.7%			
2 Novasys	-3.7%	-5.3%	0.0%	1.9%	-4.8%	-2.4%	-0.8%			
3 Novasys HD	1.2%	7.0%	0.0%	1.1%	2.3%	3.5%	-2.1%			
4 Medical - Actives and NME	1.9%	2.0%	0.0%	0.1%	-0.3%	2.2%	2.1%		5.8%	5.8%
5 Medical - ME Retirees	4.9%	1.8%	0.0%	0.2%	0.0%	1.6%	4.7%	2.5%	7.0%	7.0%
6 Rx - Actives and NME Retirees*	2.3%	2.3%	0.0%	0.1%	-0.4%	2.5%	2.5%	3.0%	3.5%	5.0%

* blended based on medical claims