



AGENDA

State and Public School Life and Health Insurance Board Benefits Sub-Committee

EBD Board Room - 501 Building - 5th Floor

June 10, 2013

9:00 a.m.

- 1. Call to Order** *Becky Walker, Chair*
- 2. Approval of Minutes** *Becky Walker, Chair*
- 3. 2014 Plan Design** *John Colberg, Cheiron*
- 4. Director's Report** *Jason Lee, Executive Director*

Upcoming Meeting
July 12th
August 9th

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
May 10th , 2013**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on May 10, 2013 in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

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

Members Absent

Bob Alexander

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

Others Present:

John Colberg, Cheiron; Ron Gibb, Pamela Lawrence, Karen Payton AHH; Michelle Hazelett, Marla Wallace, Doug Shackelford, Lori Eden, Sherry Bryant, Leslie Smith, Tracy Butler Oberste, Janna Keathley, Ethel Whittaker, EBD; Ron DeBerry, Takisha Sanders, Kathy Ryan, ABCBS/Health Advantage; Tonya Rogers, ABCBS; BJ Himes, QualChoice; Rhonda Walthall, Wayne Whitley AHTD; Rhonda Hill, Alicia Hayden, CTRX; Steve Singleton, ARTA; Doug Brown, APSRC; Jayne Cole, DeQueen Coop; Michele Linch, ASTA; Pat O'Malley, Sandi Savage, SEASC; D Pryor, Diann Shoptaw, Marci Manley, Joseph Boolz, Jay Bir, KARK

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 April 5, 2013 minutes. Harrison made the motion to adopt. Wooley-Haugen seconded. All were in favor. Minutes approved.

2014 Plan Design by John Colberg, Cheiron, Jason Lee, Executive Director

Colberg reported on Considerations for Setting Employee Contributions, Recap of Last Year's Decisions, Reserves Projections, Plan Migration, and Preliminary Rates with No Benefit Changes. There will be benefits changes that are required by law. Last year the Tier Methodology for premiums was changed to by person; meaning a rate for (1) employee only (2) employee + children (3) employee + spouse) & (4) Family. Recapping last year's decision; For PSE there was a 21% increase to the Gold Plan. No rate increase in the Silver Plan, and 30% increase to the Bronze Plan. For ASE there was no rate increase, because ASE used \$31.3 million of excess reserves to keep the rates flat.

Reviewing the Projected Reserve for PSE there is no access, and as of March 31, 2013 there was only \$300,000 in the Catastrophic Reserve. Projected to the end of 2013 with the adopted changes there should be \$4.3 million in the Catastrophic Reserve. Last month the Board adopted \$15.5 million in changes that will impact the savings. For ASE as of March 31, 2013 there was \$15 million in access reserve. The Medical/Pharmacy improvements, (case management and reference pricing) will affect ASE as well. State funding as of July 1, 2013 will increase from \$390.00 to \$410.00 monthly per member. This will have a \$4 million impact. ASE is projected to have \$20 million or more in Catastrophic Reserve by the end of 2013.

Plan Migration accelerates when (1) Employee contribution differential between plans increases, (2) Employee contributions increase significantly, (3) Benefits are perceived to be reduced more in the more expensive plans, (4) Enrollment/Re-enrollment is required (e.g., new hires, retirements). Increased migration will likely increase the required rates of all plans (Gold, Silver, & Bronze).

In 2013 about 7000 members moved from Gold to Silver & Bronze. To calculate premiums for 2014 there are several scenarios to consider. The premium for all plans increased with all scenarios. For PSE Actives, Non-Medicare, & Medicare Eligible Retirees there are two scenarios. The first scenario is a set percent change for all plans. This will create a 47% increase for Active for an additional \$57 million from the members. Non-Medicare Retirees will have a 22% increase for an additional \$3.9 million, and Medicare Eligible Retirees will have a 7% increase for an additional \$0.5 million from the members.

The second scenario is revising the State Allocation. The \$50 million is allocated per employee, which computes to \$88.64 per employee. This will generate a 47% increase for an additional \$57 million for Active, Non-Medicare Retirees 22% for an additional \$3.9 million, and Medicare Eligibility Retirees 7% for an additional \$0.5 million. Non-Medicare and Medicare Eligible Retirees under scenario two did not change due to no State Subsidy.

For ASE Actives, Non-Medicare, & Medicare Eligible Retirees with the first scenario with no new reserves allocated Active would have a 26% increase for an additional \$1.2 million from employees, Non-Medicare 28% for an additional \$0.2 million from employees, and Medicare Eligible Retirees 28% for an additional \$4.6 million from employees. Scenario two has \$10 million reserve allocated. For Active with reserve allocated would be a 18% increase for an additional \$10.2 million from employees, Non-Medicare Retirees would be 28% increase for an additional 2.9 million from employees, and Medicare Eligible Retirees would be 28% for an additional 4.6 million from employees.

Lee reported on looking at Aggregate the ACA calculator minimum value is not the benchmark that we must match. We are not required to be at 90% on our Gold Plan. It was previously discussed to have a Gold, Silver, and Bronze Plans with the goal of 60%, 70%, & 80%. There needs to be flexibility. Our current Gold Plan would be considered a Platinum Plan according to the ACA. There are three options for discussion purposes only. The chart below shows the Actuarial Value Calculator Score for discussion. The Actuarial Value % indicates the percentage paid by the plan. The remaining percentage would be the cost of the member.

| | <u>Current Gold, Silver, & Bronze</u> | <u>Option 1 In-Network Cost</u> | <u>Option 2 In Network Cost</u> | <u>Option 3 In Network Cost</u> |
|---|---|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>Possible Gold Options for 2014</u> | 90.0% | 81.5% | 78.0% | 80.8% |
| <u>Possible Silver Options for 2014</u> | 82.0% | 74.3% | 76.6% | 73.8% |
| <u>Possible Bronze Options for 2014</u> | 74.5% | 61.3% | 65.1% | 65.1% |

With all options there will be a deductible, and an increase in Co-Insurance on Option 3 for the Gold Plan & all options for the Silver & Bronze, and Max out of pocket (deductible + co-insurance). There will be an increase in PCP office visit for options 1 & 2, and a change in Specialist visits with all options.

Pharmacy Tiers for all plans and options would increase. Emergency room visit for the Gold plan all options would increase. Hospital/Facility–In-Patient all options would not have a Co-pay on the gold Plan as the current plan does options 1 & 2 would have 80/20 Co-Insurance and option 3 would be 70/30 (but could also have a Co-pay per day) this is an increase from the current plan. Option 3 on the Silver Plan has Co-pay per day; option 1 is 60/40 Co-insurance and option 2 is 70/30. Hospital/Facility–Out-Patient on the

Gold Plan for all options is the same as In-Patient with the exception of option 3 would not have the per day Co-pay. Hospital/Facility-Out-Patient Silver Plan is the same as the Gold Plan. All plans preventative care would be paid at 100%. Emergency Transportation Ground currently for the Gold Plan is 100%. Ground for options 1 & 2; \$50.00 Co-pay, and option 3 would be \$150.00. Air & Water is currently 90/10 options 1 & 2 would have \$100.00 Co-Pay, and option 3 \$150.00.

The Silver Plan Ground Transportation is currently paid at 100% options 1 & 2 would remain at 100% option 3 would have a \$150.00 Co-Pay. Air & Water Transportation is currently 90/10 Options 1 & 2 would increase to 100%, and option 3 would have a \$150.00 Co-pay. Rehab/Therapy-Out-Patient for Physical, Speech, and Occupational Therapy currently for the Gold Plan is 80/20 option 1 would have a \$30.00 Co-pay. Option 2 Co-Pay would be \$35.00, and option 3 \$25.00 all with no Co-insurance.

The Silver Plan is the same as the Gold Plan for Physical, Speech, and Occupational Out-Patient Therapy. Chiropractic Co-pay for the Gold Plan is currently \$35.00 Co-pay with at 15 visit cap & 80/20 Co-insurance. All options would have a \$50.00 Co-pay with a 15 visit cap and no Co-insurance.

The Silver Plan is currently \$50.00 Co-pay with a 15 visit cap & 80/20 Co-insurance. Options 1 & 2 would have a \$75.00 Co-pay with no Co-insurance with a 15 visit cap.

Option 3 would have no Co-Pay with 80/20 Co-Insurance with a 15 visit cap. There are also differences with High Tech Radiology, Infertility Testing, and Skilled Nursing.

The Bronze Plan has increases with all options from the current plan for the Individual Deductible, Co-Insurance, Family Deductible, and the total Maximum Out of Pocket. Bronze can be 100% paid with higher deductibles.

Lee reports there is a \$500.00 deductible cost adjustment to the primary care and specialist co-pay for Medicare Eligible Members. This is a change that would enforce a cost share to The Medicare Primary Members in both State and School. This is not a cost for Active Members, Medicare only. The savings = \$3.5 million for the remaining of 2013, and \$7.0 million annually.

Lee inquired is the 80/20 Co-insurance a variable that seems feasible. The Board agreed.

Walker reports that Medicare is upgrading allowing their members to know how much their cost would be before going to a physician or hospital. Walker reports if we are going to a Co-insurance that our Members would have that option as well.

Altemus inquired will the changes to the Silver Plan make it HSA qualified. Should we have two tiers of HSA Plans instead of two tiers of our current plans?

Colberg reported they are structured different on the deductible. Lee reported for 2014 as long as the Deducible and Co-insurance for the individual does not exceed \$6,350.00 it is a HSA qualified plan. The Silver Plan must have a \$1,000.00 deductible before the Plan pays any Co-pays for Prescriptions and Office Visits to potentially make it HSA qualified.

Harrison requested PSE funding totals for April, 2013. Lee reported there was a \$3.5 million gain.

DIRECTOR'S REPORT *by Jason Lee, Executive Director*

Lee reports the June Meeting has been changed to June 10, 2013; instead of June 7, 2013.

Harrison made a motion to adjourn. Altemus seconded. All were in favor.

Meeting adjourned.

There were no recommendations or motions.

Arkansas State Employees & Public School Employees Health Benefits Program

Preliminary Rates for CY 2014

State and Public School
Life and Health Insurance Board



June 10, 2013

John Colberg, FSA, MAAA

Gaelle Gravot, FSA, MAAA



Topics

| | Page Number |
|---|-------------|
| Review Preliminary Rates with No Benefit Changes | |
| 1) PSE | 2 |
| 2) ASE | 6 |
| Overview of Benefit Change Options | 10 |
| Preliminary Impact of Selected Options | |
| 3) Individual Illustrations | 14 |
| 4) Plan Cost | 16 |
| <u>Appendices</u> | |
| A. Benefit Options | 20 |
| B. Assumptions & Methods | 22 |
| C. Rating Worksheets | 24 |
| D. Impact of Benefit Changes from Prior Presentations | 30 |



PSE Actives

Scenario 1: Set Percent Change

| Total Active & Ret (\$ mil) | \$341.4 | \$50.0 | \$84.6 | \$206.7 | \$145.0 | \$61.7 | 43% | 57,903 |
|-----------------------------|-----------------------|---------------------------|--------------------------|--------------------|--------------------|---------------------------|------|--------------------|
| Actives | Total Monthly Premium | Direct State Contribution | School District Contrib. | 2014 Total EE Cost | 2013 Total EE Cost | Change in Premiums (\$/%) | | Assumed Enrollment |
| Gold | | | | | | | | |
| Employee Only | \$573.96 | \$96.94 | \$150.00 | \$327.02 | \$226.70 | \$100.32 | 44% | 17,602 |
| Employee & Spouse | 1,380.08 | (0.00) | 150.00 | 1,230.08 | 1,027.20 | 202.88 | 20% | 407 |
| Employee & Child(ren) | 1,059.34 | 70.56 | 150.00 | 838.78 | 581.48 | 257.30 | 44% | 2,552 |
| Family | 1,865.46 | 229.74 | 150.00 | 1,485.72 | 1,029.96 | 455.76 | 44% | 573 |
| Est. Monthly Total (\$mil) | \$14.4 | \$2.0 | \$3.2 | \$9.2 | \$6.5 | \$2.8 | 43% | 21,134 |
| Silver | | | | | | | | |
| Employee Only | \$439.50 | \$62.22 | \$150.00 | \$227.28 | \$157.56 | \$69.72 | 44% | 4,744 |
| Employee & Spouse | 1,042.82 | 0.00 | 150.00 | 892.82 | 713.86 | 178.96 | 25% | 318 |
| Employee & Child(ren) | 802.78 | 69.86 | 150.00 | 582.92 | 404.10 | 178.82 | 44% | 1,590 |
| Family | 1,406.08 | 223.56 | 150.00 | 1,032.52 | 715.78 | 316.74 | 44% | 754 |
| Est. Monthly Total (\$mil) | \$4.8 | \$0.6 | \$1.1 | \$3.1 | \$2.2 | \$0.9 | 42% | 7,407 |
| Bronze | | | | | | | | |
| Employee Only | \$248.92 | \$44.50 | \$150.00 | \$54.42 | \$10.00 | \$44.42 | 444% | 11,538 |
| Employee & Spouse | 550.80 | 51.02 | 150.00 | 349.78 | 242.48 | 107.30 | 44% | 1,335 |
| Employee & Child(ren) | 430.70 | 124.44 | 150.00 | 156.26 | 108.32 | 47.94 | 44% | 2,749 |
| Family | 732.58 | 229.16 | 150.00 | 353.42 | 245.00 | 108.42 | 44% | 2,847 |
| Est. Monthly Total (\$mil) | \$6.9 | \$1.6 | \$2.8 | \$2.5 | \$1.4 | \$1.1 | 76% | 18,468 |
| Total (Monthly) (\$ mil) | \$26.1 | \$4.2 | \$7.1 | \$14.8 | \$10.1 | \$4.8 | 47% | 47,009 |
| Est Annual Total (\$ mil) | \$312.8 | \$50.0 | \$84.6 | \$178.2 | \$120.9 | \$57.3 | | |

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



PSE Actives

Scenario 2: Revised State Allocation

| Total Active & Ret (\$ mil) | \$341.4 | \$50.0 | \$84.6 | \$206.7 | \$145.0 | \$61.7 | 43% | 57,903 |
|-----------------------------|-----------------------|---------------------------|--------------------------|--------------------|--------------------|---------------------------|------|--------------------|
| Actives | Total Monthly Premium | Direct State Contribution | School District Contrib. | 2014 Total EE Cost | 2013 Total EE Cost | Change in Premiums (\$/%) | | Assumed Enrollment |
| Gold | | | | | | | | |
| Employee Only | \$573.96 | \$88.64 | \$150.00 | \$335.32 | \$226.70 | \$108.62 | 48% | 17,602 |
| Employee & Spouse | 1,380.08 | 88.64 | 150.00 | 1,141.44 | 1,027.20 | 114.24 | 11% | 407 |
| Employee & Child(ren) | 1,059.34 | 88.64 | 150.00 | 820.70 | 581.48 | 239.22 | 41% | 2,552 |
| Family | 1,865.46 | 88.64 | 150.00 | 1,626.82 | 1,029.96 | 596.86 | 58% | 573 |
| Est. Monthly Total (\$mil) | \$14.4 | \$1.9 | \$3.2 | \$9.4 | \$6.5 | \$2.9 | 45% | 21,134 |
| Silver | | | | | | | | |
| Employee Only | \$439.50 | \$88.64 | \$150.00 | \$200.86 | \$157.56 | \$43.30 | 27% | 4,744 |
| Employee & Spouse | 1,042.82 | 88.64 | 150.00 | 804.18 | 713.86 | 90.32 | 13% | 318 |
| Employee & Child(ren) | 802.78 | 88.64 | 150.00 | 564.14 | 404.10 | 160.04 | 40% | 1,590 |
| Family | 1,406.08 | 88.64 | 150.00 | 1,167.44 | 715.78 | 451.66 | 63% | 754 |
| Est. Monthly Total (\$mil) | \$4.8 | \$0.7 | \$1.1 | \$3.0 | \$2.2 | \$0.8 | 38% | 7,407 |
| Bronze | | | | | | | | |
| Employee Only | \$248.92 | \$88.64 | \$150.00 | \$10.28 | \$10.00 | \$0.28 | 3% | 11,538 |
| Employee & Spouse | 550.80 | 88.64 | 150.00 | 312.16 | 242.48 | 69.68 | 29% | 1,335 |
| Employee & Child(ren) | 430.70 | 88.64 | 150.00 | 192.06 | 108.32 | 83.74 | 77% | 2,749 |
| Family | 732.58 | 88.64 | 150.00 | 493.94 | 245.00 | 248.94 | 102% | 2,847 |
| Est. Monthly Total (\$mil) | \$6.9 | \$1.6 | \$2.8 | \$2.5 | \$1.4 | \$1.0 | 72% | 18,468 |
| Total (Monthly) (\$ mil) | \$26.1 | \$4.2 | \$7.1 | \$14.8 | \$10.1 | \$4.8 | 47% | 47,009 |
| Est Annual Total (\$ mil) | \$312.8 | \$50.0 | \$84.6 | \$178.2 | \$120.9 | \$57.3 | | |

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



PSE Non-Medicare Retirees Scenario 1 or 2

| NME Retirees | Total Monthly Premium | Add'l Holdback | 2014 Total Ret. Cost | 2013 Total Ret. Cost | Change in Premiums (\$/%) | | Assumed Enrollment |
|----------------------------|-----------------------|----------------|----------------------|----------------------|---------------------------|-----|--------------------|
| Gold | | | | | | | |
| Retiree Only | \$573.96 | \$0.00 | \$573.96 | \$469.68 | \$104.28 | 22% | 2,036 |
| Retiree & NME SP | 1,380.08 | 0.00 | 1,380.08 | 1,186.36 | 193.72 | 16% | 165 |
| Retiree & Child(ren) | 1,059.34 | 0.00 | 1,059.34 | 821.66 | 237.68 | 29% | 20 |
| Retiree & NME SP&CH | 1,865.46 | 0.00 | 1,865.46 | 1,538.32 | 327.14 | 21% | 18 |
| Retiree & ME SP | 703.18 | 0.00 | 703.18 | 609.06 | 94.12 | 15% | 143 |
| Retiree & ME SP & CH | 1,188.58 | 0.00 | 1,188.58 | 961.04 | 227.54 | 24% | 1 |
| Est. Monthly Total (\$mil) | \$1.6 | \$0.0 | \$1.6 | \$1.3 | \$0.3 | 21% | 2,384 |
| Silver | | | | | | | |
| Employee Only | \$439.50 | \$0.00 | \$439.50 | \$401.62 | \$37.88 | 9% | 28 |
| Employee & Spouse | 1,042.82 | 54.58 | 1,097.40 | 1,097.40 | 0.00 | 0% | 1 |
| Employee & Child(ren) | 802.78 | 0.00 | 802.78 | 712.64 | 90.14 | 13% | - |
| Family | 1,406.08 | 0.00 | 1,406.08 | 1,200.54 | 205.54 | 17% | 1 |
| Est. Monthly Total (\$mil) | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | 9% | 30 |
| Bronze | | | | | | | |
| Employee Only | \$248.92 | \$0.00 | \$248.92 | \$182.78 | \$66.14 | 36% | 546 |
| Employee & Spouse | 550.80 | 0.00 | 550.80 | 421.00 | 129.80 | 31% | 114 |
| Employee & Child(ren) | 430.70 | 0.00 | 430.70 | 299.78 | 130.92 | 44% | 17 |
| Family | 732.58 | 0.00 | 732.58 | 538.02 | 194.56 | 36% | 28 |
| Est. Monthly Total (\$mil) | \$0.2 | \$0.0 | \$0.2 | \$0.2 | \$0.1 | 35% | 706 |
| Total (Monthly) (\$ mil) | \$1.8 | \$0.0 | \$1.8 | \$1.5 | \$0.3 | 22% | 3,119 |
| Est Annual Total (\$ mil) | \$21.5 | \$0.0 | \$21.5 | \$17.6 | \$3.9 | | |



PSE Retirees – Medicare Eligible Scenario 1 or 2

| ME Retirees | Total Monthly Premium | Subsidy / Holdback | 2014 Total Ret. Cost | 2013 Total Ret. Cost | Change in Premiums (\$/%) | | Assumed Enrollment |
|----------------------------|-----------------------|--------------------|----------------------|----------------------|---------------------------|-----|--------------------|
| Medicare Eligible | | | | | | | |
| Retiree Only | \$129.23 | \$73.76 | \$55.47 | \$50.14 | \$5.33 | 11% | 7,066 |
| Retiree & NME SP | 691.98 | 87.78 | 604.20 | 597.87 | 6.33 | 1% | 91 |
| Retiree & Child(ren) | 661.01 | 141.20 | 519.81 | 509.62 | 10.19 | 2% | 14 |
| Retiree & NME SP&CH | 1,420.74 | 334.90 | 1,085.84 | 1,061.68 | 24.16 | 2% | 3 |
| Retiree & ME SP | 258.46 | 48.54 | 209.92 | 206.42 | 3.50 | 2% | 601 |
| Retiree & ME SP & CH | 743.85 | 105.50 | 638.35 | 630.74 | 7.61 | 1% | - |
| Est. Monthly Total (\$mil) | \$1.1 | \$0.6 | \$0.6 | \$0.5 | \$0.0 | 7% | 7,775 |
| Total (Est. Annual) | \$13.7 | \$6.7 | \$7.0 | \$6.5 | \$0.5 | | |

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



ASE Actives

Scenario 1: No New Reserves Allocated

| Total Active & Ret (\$ mil) | \$296.9 | \$172.2 | \$16.9 | \$107.8 | \$85.2 | \$22.6 | 27% | 38,401 |
|-----------------------------|-----------------------|----------------|----------------|--------------------|--------------------|-----------------------------|------|--------------------|
| Actives | Total Monthly Premium | State Contrib. | Reserve Alloc. | 2014 EE Total Cost | 2013 EE Total Cost | Change in Premiums (\$ / %) | | Assumed Enrollment |
| Gold | | | | | | | | |
| Employee Only | \$483.06 | \$323.74 | \$43.39 | \$115.93 | \$95.78 | \$20.15 | 21% | 13,361 |
| Employee & Spouse | 1,109.02 | 599.74 | 80.37 | 428.91 | 367.74 | 61.17 | 17% | 2,950 |
| Employee & Child(ren) | 780.02 | 465.15 | 62.33 | 252.54 | 193.64 | 58.90 | 30% | 4,635 |
| Family | 1,405.98 | 741.15 | 99.31 | 565.52 | 419.62 | 145.90 | 35% | 3,055 |
| Est. Monthly Total (\$mil) | \$17.6 | \$10.5 | \$1.4 | \$5.7 | \$4.5 | \$1.2 | 26% | 24,000 |
| Silver | | | | | | | | |
| Employee Only | \$299.12 | \$227.34 | \$0.00 | \$71.78 | \$62.12 | \$9.66 | 16% | 856 |
| Employee & Spouse | 675.90 | 415.72 | 0.00 | 260.18 | 282.52 | (22.34) | -8% | 161 |
| Employee & Child(ren) | 477.88 | 323.86 | 0.00 | 154.02 | 141.44 | 12.58 | 9% | 233 |
| Family | 854.64 | 512.24 | 0.00 | 342.40 | 324.60 | 17.80 | 5% | 251 |
| Est. Monthly Total (\$mil) | \$0.7 | \$0.5 | \$0.0 | \$0.2 | \$0.2 | \$0.0 | 6% | 1,500 |
| Bronze | | | | | | | | |
| Employee Only | \$192.56 | \$182.94 | \$0.00 | \$9.62 | \$0.00 | \$9.62 | n/a | 1,437 |
| Employee & Spouse | 417.84 | 295.58 | 0.00 | 122.26 | 77.22 | 45.04 | 58% | 365 |
| Employee & Child(ren) | 299.44 | 236.38 | 0.00 | 63.06 | 27.84 | 35.22 | 127% | 342 |
| Family | 524.70 | 353.28 | 0.00 | 171.42 | 92.20 | 79.22 | 86% | 456 |
| Est. Monthly Total (\$mil) | \$0.8 | \$0.6 | \$0.0 | \$0.2 | \$0.1 | \$0.1 | 98% | 2,600 |
| Total (Monthly) (\$ mil) | \$19.1 | \$11.6 | \$1.4 | \$6.1 | \$4.8 | \$1.3 | 26% | 28,100 |
| Est Annual Total (\$ mil) | \$229.2 | \$139.1 | \$16.9 | \$73.1 | \$58.0 | \$15.1 | | |

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



ASE Actives

Scenario 2: \$10 million Reserves Allocated

| Total Active & Ret (\$ mil) | \$296.9 | \$172.2 | \$21.8 | \$102.9 | \$85.2 | \$17.7 | 21% | 38,401 |
|-----------------------------|-----------------------|----------------|----------------|--------------------|--------------------|-----------------------------|------|--------------------|
| Actives | Total Monthly Premium | State Contrib. | Reserve Alloc. | 2014 EE Total Cost | 2013 EE Total Cost | Change in Premiums (\$ / %) | | Assumed Enrollment |
| Gold | | | | | | | | |
| Employee Only | \$483.06 | \$325.27 | \$56.35 | \$101.44 | \$95.78 | \$5.66 | 6% | 13,361 |
| Employee & Spouse | 1,109.02 | 592.04 | 102.56 | 414.42 | 367.74 | 46.68 | 13% | 2,950 |
| Employee & Child(ren) | 780.02 | 467.02 | 80.90 | 232.11 | 193.64 | 38.46 | 20% | 4,635 |
| Family | 1,405.98 | 733.78 | 127.12 | 545.09 | 419.62 | 125.47 | 30% | 3,055 |
| Est. Monthly Total (\$mil) | \$17.6 | \$10.5 | \$1.8 | \$5.3 | \$4.5 | \$0.8 | 17% | 24,000 |
| Silver | | | | | | | | |
| Employee Only | \$299.12 | \$236.30 | \$0.00 | \$62.82 | \$62.12 | \$0.70 | 1% | 856 |
| Employee & Spouse | 675.90 | 424.70 | 0.00 | 251.20 | 282.52 | (31.32) | -11% | 161 |
| Employee & Child(ren) | 477.88 | 336.42 | 0.00 | 141.46 | 141.44 | 0.02 | 0% | 233 |
| Family | 854.64 | 524.78 | 0.00 | 329.86 | 324.60 | 5.26 | 2% | 251 |
| Est. Monthly Total (\$mil) | \$0.7 | \$0.5 | \$0.0 | \$0.2 | \$0.2 | (\$0.0) | -1% | 1,500 |
| Bronze | | | | | | | | |
| Employee Only | \$192.56 | \$182.94 | \$0.00 | \$9.62 | \$0.00 | \$9.62 | n/a | 1,437 |
| Employee & Spouse | 417.84 | 295.58 | 0.00 | 122.26 | 77.22 | 45.04 | 58% | 365 |
| Employee & Child(ren) | 299.44 | 236.38 | 0.00 | 63.06 | 27.84 | 35.22 | 127% | 342 |
| Family | 524.70 | 355.42 | 0.00 | 169.28 | 92.20 | 77.08 | 84% | 456 |
| Est. Monthly Total (\$mil) | \$0.8 | \$0.6 | \$0.0 | \$0.2 | \$0.1 | \$0.1 | 97% | 2,600 |
| Total (Monthly) (\$ mil) | \$19.1 | \$11.6 | \$1.8 | \$5.7 | \$4.8 | \$0.8 | 18% | 28,100 |
| Est Annual Total (\$ mil) | \$229.2 | \$139.1 | \$21.8 | \$68.2 | \$58.0 | \$10.2 | | |

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

ASE NME Retirees

Scenario 1 or 2

| NME Retirees | Total Monthly Premium | State Contrib. | Reserve Alloc. | 2014 Ret. Total Cost | 2013 Ret. Total Cost | Change in Premiums (\$ / %) | | Assumed Enrollment |
|----------------------------|-----------------------|----------------|----------------|----------------------|----------------------|-----------------------------|-----|--------------------|
| Gold | | | | | | | | |
| Retiree Only | \$483.06 | \$193.22 | \$0.00 | \$289.84 | \$235.74 | \$54.10 | 23% | 1,647 |
| Retiree & NME SP | 1,109.02 | 349.71 | 0.00 | 759.31 | 575.88 | 183.43 | 32% | 553 |
| Retiree & Child(ren) | 780.02 | 267.46 | 0.00 | 512.56 | 439.84 | 72.72 | 17% | 78 |
| Retiree & NME SP&CH | 1,405.98 | 423.95 | 0.00 | 982.03 | 916.72 | 65.31 | 7% | 33 |
| Retiree & ME SP | 861.12 | 287.74 | 0.00 | 573.38 | 401.54 | 171.84 | 43% | 233 |
| Retiree & ME SP & CH | 1,158.08 | 361.98 | 0.00 | 796.10 | 606.77 | 189.33 | 31% | 9 |
| Est. Monthly Total (\$mil) | \$1.7 | \$0.6 | \$0.0 | \$1.1 | \$0.9 | \$0.2 | 28% | 2,554 |
| Silver | | | | | | | | |
| Employee Only | \$299.12 | \$97.04 | \$0.00 | \$202.08 | \$202.08 | \$0.00 | 0% | 3 |
| Employee & Spouse | 675.90 | 185.24 | 0.00 | 490.66 | 490.66 | 0.00 | 0% | 7 |
| Employee & Child(ren) | 477.88 | 102.28 | 0.00 | 375.60 | 375.60 | 0.00 | 0% | 1 |
| Family | 854.64 | 182.68 | 0.00 | 671.96 | 671.96 | 0.00 | 0% | 3 |
| Est. Monthly Total (\$mil) | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | 0% | 14 |
| Bronze | | | | | | | | |
| Employee Only | \$192.56 | \$0.00 | \$0.00 | \$192.56 | \$146.46 | \$46.10 | 31% | 7 |
| Employee & Spouse | 417.84 | 0.00 | 0.00 | 417.84 | 300.92 | 116.92 | 39% | 12 |
| Employee & Child(ren) | 299.44 | 0.00 | 0.00 | 299.44 | 202.14 | 97.30 | 48% | 1 |
| Family | 524.70 | 0.00 | 0.00 | 524.70 | 330.88 | 193.82 | 59% | 12 |
| Est. Monthly Total (\$mil) | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | 47% | 33 |
| Total (Monthly) (\$ mil) | \$1.7 | \$0.6 | \$0.0 | \$1.1 | \$0.9 | \$0.2 | 28% | 2,601 |
| Est Annual Total (\$ mil) | \$21.0 | \$7.4 | \$0.0 | \$13.6 | \$10.6 | \$2.9 | | |

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



ASE ME Retirees Scenario 1 or 2

| ME Retirees | Total Monthly Premium | State Contrib. | Reserve Alloc. | 2014 Ret. Total Cost | 2013 Ret. Total Cost | Change in Premiums (\$ / %) | | Assumed Enrollment |
|-----------------------------|-----------------------|----------------|----------------|----------------------|----------------------|-----------------------------|-----|--------------------|
| Medicare Eligible | | | | | | | | |
| Retiree Only | \$378.06 | \$226.84 | \$0.00 | \$151.23 | \$117.12 | \$34.11 | 29% | 5,247 |
| Retiree & NME SP | 861.11 | 414.39 | 0.00 | 446.72 | 446.72 | 0.00 | 0% | 365 |
| Retiree & Child(ren) | 707.46 | 358.60 | 0.00 | 348.87 | 314.86 | 34.01 | 11% | 60 |
| Retiree & NME SP&CH | 1,300.98 | 596.01 | 0.00 | 704.98 | 644.48 | 60.50 | 9% | 30 |
| Retiree & ME SP | 756.13 | 378.06 | 0.00 | 378.06 | 278.49 | 99.57 | 36% | 1,980 |
| Retiree & ME SP & CH | 1,053.09 | 496.85 | 0.00 | 556.24 | 476.24 | 80.00 | 17% | 18 |
| Est. Monthly Total (\$ mil) | \$3.9 | \$2.1 | \$0.0 | \$1.8 | \$1.4 | \$0.4 | 28% | 7,700 |
| Total (Est. Annual) | \$46.7 | \$25.7 | \$0.0 | \$21.1 | \$16.5 | \$4.6 | | |

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



Overview of Benefit Change Options

- Current Plans (PSE)

| | AR Health Actual <u>2012</u> | Optum Industry <u>Average</u> | ACA Min Value <u>Calculator</u> |
|--------|------------------------------------|-------------------------------------|---------------------------------------|
| Gold | 85% | 83% | 90% |
| Silver | 81% | 75% | 83% |
| Bronze | 64% | 69% | 76% |

- Preliminary impact of selected options derived from May 10 Benefits Committee Meeting plus two unsolicited alternatives from Arkansas Blue Cross Blue Shield
 - Impact on Actives & NME Retirees estimated using Optum Industry Average for Benefits Committee options and using Arkansas BCBS's estimates for their options
 - For July meetings we anticipate update based on latest data and using actual claims data



Gold Plan: In-Network Limits shown below - changes are highlighted

| | Current | Alternative 1 | Alternative 1A | Alternative 1B | Alternative 1C | Alternative 1D | Alternative 2 (fr BCBS) | Alternative 3 (fr BCBS) |
|---|---------|---------------|--------------------|----------------|----------------|----------------|-------------------------|-------------------------|
| Deductible- Individual | \$0 | \$1,000 | | | | | \$750 | \$500 |
| Co-Insurance Limit - Individual (after deductible) | \$1,500 | \$1,500 | | | | | \$1,500 | \$2,000 |
| Max. Out of Pocket (Deductible + Co-Insurance) | \$1,500 | \$2,500 | | | | | \$2,250 | \$2,500 |
| Deductible- Family | \$0 | \$2,000 | | | | | \$2,250 | \$1,000 |
| Co-Insurance Limit - Family (after deductible) | \$3,000 | \$3,000 | | | | | \$3,000 | \$6,000 |
| Max. Out of Pocket (Deductible + Co-Insurance) | \$3,000 | \$5,000 | | | | | \$5,250 | \$7,000 |
| Co-insurance Rate for Patient | 20% | 20% | | | | | 20% | 25% |
| Physicain Office Visit - Primary Care Co-Pay | \$25 | \$30 | | | | | \$25 | \$25 |
| Physicain Office Visit - Specialist Co-Pay | \$35 | \$50 | | | | | 20% after Ded | \$75 |
| Wellness/Preventive Care/Immunization Coinsurance | 0% | 0% | | | | | 0% | 0% |
| Rx- Tier 1 | \$10 | \$15 | | | | | \$10 | \$10 |
| Rx- Tier 2 | \$30 | \$35 | | | | | \$30 | \$45 |
| Rx- Tier 3 | \$60 | \$70 | | | | | \$60 | \$70 |
| Rx- Specialty | \$60 | \$100 | | \$200 | | | \$60 | \$70 |
| Rx- OTC | \$10 | \$15 | | | | | \$10 | \$10 |
| Hospital/ Facility - In-Patient- Co-Pay | \$250 | \$0 | | | | | \$250 | \$500 |
| Hospital/ Facility - In-Patient- Co-Insurance for Patient | 20% | 20% | | | | | 20% | 25% |
| Notes | | | Max of 2 co-pays | | | | Max of 2 co-pays | per admit |
| Hospital/ Facility - Out-Patient- Co-Pay | \$100 | \$0 | | | | | \$100 | \$200 |
| Hospital/ Facility - Out-Patient- Co-Insurance | 20% | 20% | | | | | 20% | 25% |
| Emergency Room Visit | \$100 | \$150 | | | | | \$100 | \$150 |
| Emergency Transportation- Ambulance- Ground | 0% | \$50 | | | | | 0% | 0% |
| Emergency Transportation- Ambulance- Air/ Water | 10% | \$100 | | | | | 10% | 0% |
| High Tech Radiology- Co-Pay | \$250 | \$0 | \$250 | | | | \$250 | \$300 |
| High Tech Radiology- Co-Insurance | 20% | 20% | 0% | | | | 20% | 25% |
| Notes | | | co-pay on 1st only | | | | co-pay on 1st only | |
| Rehab/ Therapy- Out-Patient- PT/ST/OT- Co-Pay | \$0 | \$30 | | | | | \$0 | \$0 |
| Rehab/ Therapy- Out-Patient- PT/ST/OT- Co-Insurance | 20% | 0% | | | | | 20% | 25% |
| Rehab/ Therapy- Out-Patient- Chiropractic- Co-Pay | \$35 | \$50 | | | | | \$35 | \$0 |
| Rehab/ Therapy- Out-Patient- Chiropractic- Co-Insurance | 20% | 0% | | | | | 20% | 25% |
| Notes | | | 15 visit cap | 15 visit cap | | | 15 visit cap | 15 visit cap |
| Infertility Testing- Co-Pay | \$200 | \$0 | | | | | \$200 | \$0 |
| Infertility Testing- Co-Insurance | 20% | 20% | | | | | 20% | 25% |
| Skilled Nursing- Co-Pay | \$250 | \$0 | | | \$100/day | | \$250 | \$500 |
| Skilled Nursing- Co-Insurance | 20% | 20% | | | 0% | | 20% | 25% |
| Non-essential benefits** | Covered | Covered | | | | Not Covered | Covered | Covered |
| Minimum Value Calculator Score | 89.6% | 84.5% | 83.6% | 84.3% | 84.5% | 84.5% | 84.9% | 83.4% |
| Optum Insight Benefit Ratio | 85.8% | 78.8% | 76.9% | 78.8% | 78.8% | 79.0% | 77.2%*** | 77.2%*** |

Note: Deductible also applies on any service that requires co-insurance

An overall out-of-pocket maximum of \$6,350 (\$12,700 for family) that includes copays will apply.

Note: The above Optum Insight runs do not reflect the benefit changes on Rx specialty, Rx OTC and infertility testing. To accommodate the change on Ambulance- air/ water, additional \$5 copay is added to Ambulance-ground, i.e \$55 copay.

* Design taken from unsolicited BCBS provided info. Also, offered option to just change deductible.

** Non-essential benefits include chiro, diabetes, hearing aid, vision and fertility; however, the Optum Insight model can only reflect the benefit changes on chiro, vision and hearing aids.

*** Value Presumed to be 10% Lower According to BCBS



Silver Plan: In-Network Limits shown below - changes are highlighted

| | Current | Alternative 1 Traditional | Alternative 1 HSA | Alternative 2 (fr BCBS*) | Alternative 3 (fr BCBS*) |
|---|---------------------------|------------------------------|----------------------|-----------------------------|-----------------------------|
| Deductible- Individual ** | \$750 | \$1,500 | \$1,300 | \$1,250 | \$1,250 |
| Co-Insurance Limit - Individual (after deductible) | \$2,000 | \$4,000 | n/a | \$2,000 | \$2,500 |
| Max. Out of Pocket (Deductible + Co-Insurance) | \$2,750 | \$5,500 | \$1,300 | \$2,750 | \$3,750 |
| Deductible- Family | \$1,500 | \$3,000 | \$2,600 | \$3,750 | \$2,500 |
| Co-Insurance Limit - Family (after deductible) | \$4,000 | \$8,000 | n/a | \$4,000 | \$7,500 |
| Max. Out of Pocket (Deductible + Co-Insurance) | \$5,500 | \$11,000 | \$2,600 | \$7,750 | \$7,500 |
| Co-insurance Rate for Patient | 20% | 20% | 0% | 20% | 25% |
| Physicain Office Visit - Primary Care Co-Pay | \$25 | \$30 | \$30 after Ded | \$25 | \$25 |
| Physicain Office Visit - Specialist Co-Pay | \$50 | \$60 | \$50 after Ded | 20% after Ded | \$90 |
| Wellness/Preventive Care/Immunization Patient Coinsurance | 0% | 0% | 0% | 0% | 0% |
| Rx- Tier 1 | \$10 | \$15 | \$15 after Ded | \$10 | \$10 |
| Rx- Tier 2 | \$35 | \$40 | \$35 after Ded | \$35 | \$45 |
| Rx- Tier 3 | \$70 | \$75 | \$70 after Ded | \$70 | \$80 |
| Rx- Specialty | \$70 | \$140 | \$100 after Ded | \$70 | \$80 |
| Rx- OTC | \$5 | \$10 | \$10 after Ded | \$5 | \$5 |
| Hospital/ Facility - In-Patient- Co-Pay | \$300 | \$0 | \$100 after Ded | \$300 | \$600 |
| Hospital/ Facility - In-Patient- Co-Insurance for Patient <i>Notes</i> | 20% | 20% | 0% | 20% | 25% |
| | <i>Max of 2 co-pays</i> | | <i>per day</i> | <i>Max of 2 co-pays</i> | <i>per admit</i> |
| Hospital/ Facility - Out-Patient- Co-Pay | \$150 | \$0 | \$100 after Ded | \$150 | \$300 |
| Hospital/ Facility - Out-Patient- Co-Insurance for Patient | 20% | 20% | 0% | 20% | 25% |
| Emergency Room Visit | \$150 | \$150 | \$150 after Ded | \$150 | \$200 |
| Emergency Transportation- Ambulance- Ground | 0% | \$150 | \$50 after Ded | 0% | 0% |
| Emergency Transportation- Ambulance- Air/ Water | 10% | \$150 | \$100 after Ded | 10% | 10% |
| High Tech Radiology- Co-Pay | \$300 | \$0 | \$100 after Ded | \$300 | \$300 |
| High Tech Radiology- Co-Insurance <i>Notes</i> | 20% | 20% | 0% | 20% | 25% |
| | <i>co-pay on 1st only</i> | | | <i>co-pay on 1st only</i> | |
| Rehab/ Therapy- Out-Patient- PT/ST/OT- Co-Pay | \$0 | \$30 | \$30 after Ded | \$0 | \$0 |
| Rehab/ Therapy- Out-Patient- PT/ST/OT- Co-Insurance | 20% | 0% | \$30 after Ded | 20% | 25% |
| Rehab/ Therapy- Out-Patient- Chiropractic- Co-Pay | \$50 | \$75 | \$50 after Ded | \$50 | \$50 |
| Rehab/ Therapy- Out-Patient- Chiropractic- Co-Insurance <i>Notes</i> | \$205 | 0% | 0% | \$205 | 25% |
| | <i>15 visit cap</i> | <i>15 visit cap</i> | <i>15 visit cap</i> | <i>15 visit cap</i> | <i>15 visit cap</i> |
| Infertility Testing- Co-Pay | \$200 | \$0 | \$200 after Ded | \$200 | \$200 |
| Infertility Testing- Co-Insurance | 20% | 20% | 0% | 20% | 25% |
| Skilled Nursing- Co-Pay | \$300 | \$0 | \$100/day after Ded | \$300 | \$600 |
| Skilled Nursing- Co-Insurance | 20% | 20% | 0% | 20% | 25% |
| Minimum Value Calculator Score | 83.4% | 79.3% | *** | 81.4% | 78.1% |
| OptumInsight Benefit Ratio | 78.7% | 70.3% | 70.2% | 70.8%**** | 70.8%**** |

Note: Deductible also applies on any service that requires co-insurance

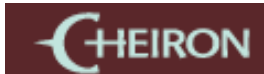
An overall out-of-pocket maximum of \$6,350 (\$12,700 for family) that includes copays will apply.

* Design taken from unsolicited BCBS provided info

** Individual in a family contract must reach the family limits for the HSA option.

*** Minimum Value Calculator cannot price benefit with copay after deductible

**** Value Presumed to be 10% Lower According to BCBS





Bronze Plan: In-Network Limits shown below - changes are highlighted

| | <u>Current</u> | <u>Alternative 1</u> | <u>Alternative 2</u> (fr BCBS*) | <u>Alternative 3</u> (fr BCBS*) |
|--|----------------|----------------------|------------------------------------|------------------------------------|
| Deductible - Individual ** | \$1,500 | \$2,500 | \$2,000 | \$2,000 |
| Co-Insurance Limit - Individual (after deductible) | \$2,500 | \$3,500 | \$3,000 | \$3,000 |
| Max. Out of Pocket (Deductible + Co-Insurance) | \$4,000 | \$6,000 | \$5,000 | \$5,000 |
| Deductible - Family | \$3,000 | \$5,000 | \$6,000 | \$4,000 |
| Co-Insurance Limit - Family (after deductible) | \$5,000 | \$7,000 | \$6,000 | \$6,000 |
| Max. Out of Pocket (Deductible + Co-Insurance) | \$8,000 | \$12,000 | \$12,000 | \$10,000 |
| Co-insurance Rate for Patient | 20% | 30% | 20% | 25% |
| Minimum Value Calculator Score | 76.4% | 67.2% | 72.6% | 71.5% |
| OptumInsight Benefit Ratio | 73.3% | 62.8% | 66.0%*** | 66.0%*** |

* Design taken from unsolicited BCBS provided info

** Individual in a family contract must reach the family limits.

*** Value Presumed to be 10% Lower According to BCBS



Preliminary Impact of Options Individual Illustration – High Cost

| | <u>Current</u> | <u>Alternative 1 (& B,C,D)</u> | <u>Alternative 1A</u> | <u>Alternative 2</u> | <u>Alternative 3</u> |
|---------------|----------------|--------------------------------------|----------------------------------|---------------------------------|---------------------------------|
| Gold | \$2,625 | \$3,290 | \$3,540 | \$3,305 | \$4,185 |
| - change | | \$665 | \$915 | \$680 | \$1,560 |
| Silver | \$4,065 | <u>Traditional</u> \$4,370 | <u>H S A *</u> \$2,060 | <u>Alt. 2</u> \$4,455 | <u>Alt. 3</u> \$5,403 |
| - change | | \$305 | -\$2,005 | \$390 | \$1,338 |
| Bronze | \$3,908 | <u>Alt. 1</u> \$5,812 | | <u>Alt. 2</u> \$4,308 | <u>Alt. 3</u> \$4,885 |
| - change | | \$1,904 | | \$400 | \$977 |

*assumes 1 PCP, SCP, MRI and set of Rx before deductible reached

Illustration uses the services in the table:

| <u>Service</u> | <u>#</u> | <u>Cost</u> |
|----------------|----------|-------------|
| Hospital Admit | 1 | \$10,000 |
| PCP | 3 | \$300 |
| SCP | 2 | \$300 |
| Rx Generic | 12 | \$240 |
| Rx Brand | 12 | \$1,200 |
| MRI | 1 | \$1,500 |



Preliminary Impact of Options Individual Illustration – Low Cost

| | <u>Current</u> | <u>Alternative 1 (& B,C,D)</u> | <u>Alternative 1A</u> | <u>Alternative 2</u> | <u>Alternative 3</u> |
|---------------|----------------|------------------------------------|------------------------------|-------------------------------|-------------------------------|
| Gold | \$205 | \$290 | \$290 | \$470 | \$245 |
| - change | | \$85 | \$85 | \$265 | \$40 |
| Silver | \$220 | <u>Traditional</u> \$300 | <u>H S A</u> \$740 | <u>Alt. 2</u> \$470 | <u>Alt. 3</u> \$260 |
| - change | | \$80 | \$520 | \$250 | \$40 |
| Bronze | \$740 | <u>Alt. 1</u> \$740 | | <u>Alt. 2</u> \$740 | <u>Alt. 3</u> \$740 |
| - change | | \$0 | | \$0 | \$0 |

Illustration uses the services in the table:

| <u>Service</u> | <u>#</u> | <u>Cost</u> |
|----------------|----------|-------------|
| PCP | 2 | \$200 |
| SCP w/ Xray | 1 | \$300 |
| Rx Generic | 12 | \$240 |

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

PSE Actives – Scenario 1

Set Percent Change

Preliminary Impact of Options

| Actives | No Changes | | | | Alternative 1 | | | | Alternative 2 or 3 | | |
|----------------------------|--------------------|--------------------|---------------------------|------|--------------------|---------------------------|------|--------------------|---------------------------|------|--|
| | 2014 Total EE Cost | 2013 Total EE Cost | Change in Premiums (\$/%) | | 2014 Total EE Cost | Change in Premiums (\$/%) | | 2014 Total EE Cost | Change in Premiums (\$/%) | | |
| Gold | | | | | | | | | | | |
| Employee Only | \$327.02 | \$226.70 | \$100.32 | 44% | \$274.54 | \$47.84 | 21% | \$273.18 | \$46.48 | 21% | |
| Employee & Spouse | 1,230.08 | 1,027.20 | 202.88 | 20% | 1,120.38 | 93.18 | 9% | 1,094.88 | 67.68 | 7% | |
| Employee & Child(ren) | 838.78 | 581.48 | 257.30 | 44% | 704.18 | 122.70 | 21% | 700.68 | 119.20 | 20% | |
| Family | 1,485.72 | 1,029.96 | 455.76 | 44% | 1,247.28 | 217.32 | 21% | 1,241.10 | 211.14 | 20% | |
| Est. Monthly Total (\$mil) | \$9.2 | \$6.5 | \$2.8 | 43% | \$7.8 | \$1.3 | 20% | \$7.8 | \$1.3 | 20% | |
| Silver | | | | | | | | | | | |
| Employee Only | \$227.28 | \$157.56 | \$69.72 | 44% | \$190.80 | \$33.24 | 21% | \$189.86 | \$32.30 | 21% | |
| Employee & Spouse | 892.82 | 713.86 | 178.96 | 25% | 784.82 | 70.96 | 10% | 790.98 | 77.12 | 11% | |
| Employee & Child(ren) | 582.92 | 404.10 | 178.82 | 44% | 489.36 | 85.26 | 21% | 486.94 | 82.84 | 20% | |
| Family | 1,032.52 | 715.78 | 316.74 | 44% | 866.80 | 151.02 | 21% | 862.52 | 146.74 | 21% | |
| Est. Monthly Total (\$mil) | \$3.1 | \$2.2 | \$0.9 | 42% | \$2.6 | \$0.4 | 20% | \$2.6 | \$0.4 | 19% | |
| Bronze | | | | | | | | | | | |
| Employee Only | \$54.42 | \$10.00 | \$44.42 | 444% | \$37.12 | \$27.12 | 271% | \$37.06 | \$27.06 | 271% | |
| Employee & Spouse | 349.78 | 242.48 | 107.30 | 44% | 293.64 | 51.16 | 21% | 292.18 | 49.70 | 20% | |
| Employee & Child(ren) | 156.26 | 108.32 | 47.94 | 44% | 131.18 | 22.86 | 21% | 130.52 | 22.20 | 20% | |
| Family | 353.42 | 245.00 | 108.42 | 44% | 296.70 | 51.70 | 21% | 295.22 | 50.22 | 20% | |
| Est. Monthly Total (\$mil) | \$2.5 | \$1.4 | \$1.1 | 76% | \$2.0 | \$0.6 | 41% | \$2.0 | \$0.6 | 41% | |
| Total (Monthly) (\$ mil) | \$14.8 | \$10.1 | \$4.8 | 47% | \$12.4 | \$2.3 | 23% | \$12.3 | \$2.3 | 23% | |
| Est Annual Total (\$ mil) | \$178.2 | \$120.9 | \$57.3 | | \$148.9 | \$28.1 | | \$148.2 | \$27.3 | | |

Note: The figures presented are preliminary and subject to change. Contributions would be lower under Alternative 1A.



PSE Actives – Scenario 2

Revised State Allocation

Preliminary Impact of Options

| Actives | No Changes | | | | Alternative 1 | | | | Alternative 2 or 3 | | |
|----------------------------|--------------------|--------------------|--------------------|------|--------------------|--------------------|-------|--------------------|--------------------|-------|--|
| | 2014 Total EE Cost | 2013 Total EE Cost | 2014 Total EE Cost | | 2014 Total EE Cost | 2014 Total EE Cost | | 2014 Total EE Cost | 2014 Total EE Cost | | |
| Gold | | | | | | | | | | | |
| Employee Only | \$335.32 | \$226.70 | \$108.62 | 48% | \$289.82 | \$63.12 | 28% | \$279.82 | \$53.12 | 23% | |
| Employee & Spouse | 1,141.44 | 1,027.20 | 114.24 | 11% | 1,031.72 | 4.52 | 0% | 1,006.22 | (20.98) | -2% | |
| Employee & Child(ren) | 820.70 | 581.48 | 239.22 | 41% | 736.54 | 155.06 | 27% | 717.20 | 135.72 | 23% | |
| Family | 1,626.82 | 1,029.96 | 596.86 | 58% | 1,478.44 | 448.48 | 44% | 1,443.60 | 413.64 | 40% | |
| Est. Monthly Total (\$mil) | \$9.4 | \$6.5 | \$2.9 | 45% | \$8.2 | \$1.8 | 27% | \$8.0 | \$1.5 | 23% | |
| Silver | | | | | | | | | | | |
| Employee Only | \$200.86 | \$157.56 | \$43.30 | 27% | \$156.04 | (\$1.52) | -1% | \$158.42 | \$0.86 | 1% | |
| Employee & Spouse | 804.18 | 713.86 | 90.32 | 13% | 696.18 | (17.68) | -2% | 702.34 | (11.52) | -2% | |
| Employee & Child(ren) | 564.14 | 404.10 | 160.04 | 40% | 481.28 | 77.18 | 19% | 485.94 | 81.84 | 20% | |
| Family | 1,167.44 | 715.78 | 451.66 | 63% | 1,021.40 | 305.62 | 43% | 1,029.86 | 314.08 | 44% | |
| Est. Monthly Total (\$mil) | \$3.0 | \$2.2 | \$0.8 | 38% | \$2.5 | \$0.3 | 16% | \$2.5 | \$0.4 | 17% | |
| Bronze | | | | | | | | | | | |
| Employee Only | \$10.28 | \$10.00 | \$0.28 | 3% | (\$19.62) | (\$29.62) | -296% | (\$12.64) | (\$22.64) | -226% | |
| Employee & Spouse | 312.16 | 242.48 | 69.68 | 29% | 242.34 | (0.14) | 0% | 260.34 | 17.86 | 7% | |
| Employee & Child(ren) | 192.06 | 108.32 | 83.74 | 77% | 138.12 | 29.80 | 28% | 151.74 | 43.42 | 40% | |
| Family | 493.94 | 245.00 | 248.94 | 102% | 400.08 | 155.08 | 63% | 424.72 | 179.72 | 73% | |
| Est. Monthly Total (\$mil) | \$2.5 | \$1.4 | \$1.0 | 72% | \$1.6 | \$0.2 | 13% | \$1.8 | \$0.4 | 27% | |
| Total (Monthly) (\$ mil) | \$14.8 | \$10.1 | \$4.8 | 47% | \$12.4 | \$2.3 | 23% | \$12.3 | \$2.3 | 23% | |
| Est Annual Total (\$ mil) | \$178.2 | \$120.9 | \$57.3 | | \$148.3 | \$27.5 | | \$148.1 | \$27.3 | | |

Note: The figures presented are preliminary and subject to change. Contributions would be lower under Alternative 1A.



ASE

Preliminary Impact of Options

Reserve Allocation Needed for \$0
Contribution Increase:

- No Changes \$45 million
- Alternative 1* \$ 4 million
- Alternative 2 or 3 \$ 0 million
 - Alternative 2 or 3 expected to result in \$2 million surplus

* Similar results for Alternatives 1B, 1C, 1D; Alternative 1A would produce \$2 million surplus.



Appendices

Appendix A - Benefit Summary

| Benefit Option Name: Last Modified: Expected Benefit Ratio: Provider Network: | Gold 1/1/2013 0.83 Health Advantage | Silver 1/1/2013 0.75 QualChoice | Bronze 1/1/2013 0.69 Health 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 / Unlimited | Unlimited / Unlimited | Unlimited / Unlimited |
| <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 A - Benefit Summary

| | | | |
|---|--------------------------|------------------------|------------------------|
| Medical Management | | | |
| 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 B - Use & Disclosures

- 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. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23. This presentation does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.
- Cheiron's analysis was prepared exclusively for the Employee Benefits Division of the State of Arkansas for the specific purpose of providing projections and options to the Arkansas State and Public School Life and Health Insurance Board. Our analysis is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.
- The figures in this presentation are preliminary and subject to change or modification as more detailed information is gathered and depending upon decisions made by the Board. The figures #2, 3, 4, and 10 on page 38 were provided by EBD.



Appendix B - Comparative Risk/Morbidity Analysis

- PSE

| | Actives | Retirees |
|--------|---------|----------|
| Gold | 0.85 | 1.58 |
| Silver | 0.52 | 0.99 |
| Bronze | 0.37 | 0.92 |

- ASE

| | Actives | Retirees |
|--------|---------|----------|
| Gold | 0.76 | 1.58 |
| Silver | 0.32 | 0.64 |
| Bronze | 0.26 | 0.44 |

Source: Integrail



Appendix C - PSE Actives & NME Retirees

PSE ACTIVE RATE DEVELOPMENT for CY2014

| Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates | Gold | | | Silver | | | Bronze | | |
|---|---------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total |
| | 1/12 - 12/12 | 1/12 - 12/12 | | 1/12 - 12/12 | 1/12 - 12/12 | | 1/12 - 12/12 | 1/12 - 12/12 | |
| | 1/12 - 3/13 | 1/12 - 3/13 | | 1/12 - 3/13 | 1/12 - 3/13 | | 1/12 - 3/13 | 1/12 - 3/13 | |
| | A | B | C | D | E | F | G | H | I |
| 1 Total Incurred Medical & Rx Claims (Experience Period) | \$159,064,462 | \$53,763,256 | \$212,827,718 | \$12,696,072 | \$4,595,751 | \$17,291,823 | \$32,956,184 | \$5,344,659 | \$38,300,843 |
| 2 Less High Cost Claims Above (Med/Rx) \$125,000 \$25,000 | \$14,024,711 | \$4,134,476 | \$18,159,187 | \$649,518 | \$476,732 | \$1,126,249 | \$2,688,009 | \$139,069 | \$2,827,078 |
| 3 Net Incurred Claims below Pooling Point [1 - 2] | \$145,039,752 | \$49,628,780 | \$194,668,532 | \$12,046,554 | \$4,119,020 | \$16,165,574 | \$30,268,175 | \$5,205,590 | \$35,473,766 |
| 4 Person Months for Experience Period | 529,289 | 529,289 | 529,289 | 74,906 | 74,906 | 74,906 | 271,871 | 271,871 | 271,871 |
| 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4] | \$274.03 | \$93.76 | \$367.79 | \$160.82 | \$54.99 | \$215.81 | \$111.33 | \$19.15 | \$130.48 |
| 6 Change in Benefits & Network/Contract During Experience Period | 1.0004 | 1.0004 | | 1.1044 | 0.9859 | | 0.9281 | 0.7386 | |
| 7 Change in Demographics or Illness Burden During Experience Period | 1.0097 | 1.0176 | | 0.9983 | 1.0000 | | 0.9952 | 0.9934 | |
| 8 Change in Geographic During Experience Period | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | |
| 9 a) Annual Trend Rate | 6.0% | 5.0% | | 6.0% | 5.0% | | 6.0% | 5.0% | |
| b) Months to Trend | 24 | 24 | | 24 | 24 | | 24 | 24 | |
| c) Trend Adjustment | 1.1236 | 1.1025 | | 1.1236 | 1.1025 | | 1.1236 | 1.1025 | |
| 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c] | \$311.00 | \$105.23 | \$416.23 | \$199.22 | \$59.77 | \$258.99 | \$115.55 | \$15.49 | \$131.04 |
| 11 Charge for Claims above Pooling Point PPPM | \$25.42 | \$7.89 | \$33.30 | \$14.92 | \$4.62 | \$19.54 | \$10.33 | \$1.61 | \$11.94 |
| 12 Total Claims Charged PPPM [10 + 11] | \$336.42 | \$113.11 | \$449.53 | \$214.13 | \$64.40 | \$278.53 | \$125.88 | \$17.10 | \$142.98 |
| 13 Change in Future Benefits & Networks/Contracts | 0.9860 | 0.9795 | | 0.9870 | 0.9843 | | 0.9880 | 1.0743 | |
| 14 Change in Future Demographics (Age/Gender/Family) or Illness Burden | 1.0653 | 1.0653 | | 1.1969 | 1.1969 | | 1.1925 | 1.1925 | |
| 15 Change in Future Geographic | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | |
| 16 Rating Incurred Claim PPPM [13 x 14 x 15] | \$353.37 | \$118.02 | \$471.39 | \$252.96 | \$75.87 | \$328.83 | \$148.30 | \$21.91 | \$170.21 |
| 17 ACA Transitional Reinsurance Fee PPPM | | | \$5.25 | | | \$5.25 | | | \$5.25 |
| 18 Projected Persons Months | 369,443 | 369,443 | 369,443 | 157,118 | 157,118 | 157,118 | 412,963 | 412,963 | 412,963 |
| 19 Projected Total Incurred Claims & Fee [(16 + 17) x 18] | \$130,548,918 | \$43,603,061 | \$176,091,552 | \$39,745,144 | \$11,920,007 | \$52,490,018 | \$61,241,262 | \$9,047,920 | \$72,457,240 |
| 20 PEPM Expense Load as % of Claims 9.0% | | | \$46.39 | | | \$41.85 | | | \$44.35 |
| 21 Retiree Subsidy / Holdback PEPM | | | \$11.20 | | | \$11.20 | | | \$11.20 |
| 22 Projected Expense Loaded Cost [19 + (20+21) x 23] | | | \$192,420,290 | | | \$57,224,574 | | | \$85,239,163 |
| 23 Conversion to Rating Tiers [19 x rating tier x counts] | x tier | Projected | | x tier | Projected | | x tier | Projected | |
| Method: Person | factor | Ee Months | PEPM | factor | Ee Months | PEPM | factor | Ee Months | PEPM |
| a) Employee Only | 1.08 | 238,466 | \$573.95 | 1.16 | 57,263 | \$439.51 | 1.10 | 145,006 | \$248.92 |
| b) Employee & Spouse | 2.77 | 6,861 | \$1,380.07 | 2.96 | 3,831 | \$1,042.82 | 2.82 | 17,383 | \$550.81 |
| c) Employee & Child(ren) | 2.10 | 30,917 | \$1,059.34 | 2.24 | 19,084 | \$802.78 | 2.14 | 33,192 | \$430.70 |
| d) Family | 3.79 | 7,097 | \$1,865.46 | 4.05 | 9,062 | \$1,406.09 | 3.86 | 34,500 | \$732.58 |
| e) Child(ren) of Medicare Retirees | 1.02 | 173 | \$542.98 | | | | | | |
| 24 Rates Balance Confirmation | | 283,513 | \$192,420,290 | | 89,240 | \$57,224,574 | | 230,080 | \$85,239,163 |

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





Appendix C - PSE Medicare Retirees

PSE MEDICARE RETIREE RATE DEVELOPMENT for CY2014

| Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates | Medicare | |
|---|-----------------------|---------------------|
| | Medical | Total |
| | 1/12 - 12/12 | |
| | 1/12 - 3/13 | |
| 1 Total Incurred Medical & Rx Claims | \$11,095,131 | \$11,095,131 |
| 2 <u>Less High Cost Claims Above (Med/Rx)</u> | \$125,000 \$25,000 | \$181,739 |
| 3 Net Incurred Claims below Pooling Point [1 - 2] | \$10,913,392 | \$10,913,392 |
| 4 <u>Person Months for Experience Period</u> | 90,922 | 90,922 |
| 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4] | \$120.03 | \$120.03 |
| 6 Change in Benefits & Network/Contract During Experience Period | 1.0000 | |
| 7 Change in Demographics or Risk During Experience Period | 1.0000 | |
| 8 Change in Geographic During Experience Period | 1.0000 | |
| 9 a) Annual Trend Rate | 6.0% | |
| b) Months to Trend | 12 | |
| c) <u>Trend Adjustment</u> | 1.0600 | |
| 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c] | \$127.23 | \$127.23 |
| 11 <u>Charge for Claims above Pooling Point PPPM</u> | \$2.00 | \$2.00 |
| 12 Total Claims Charged PPPM [10 + 11] | \$129.23 | \$129.23 |
| 13 Change in Future Benefits & Networks/Contracts | 1.0000 | |
| 14 Change in Future Demographics (Age/Gender/Family) or Illness Burden | 1.0000 | |
| 15 <u>Change in Future Geographic</u> | 1.0000 | |
| 16 Projected Incurred Claim PPPM [13 x 14 x15] | \$129.23 | \$129.23 |
| 17 <u>Projected Persons Months</u> | 102,240 | 102,240 |
| 18 Projected Total Incurred Claims [16 x 17] | \$13,212,514 | \$13,212,514 |

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



Appendix C - PSE Medicare Retirees

PSE GOLD RETIREE RATE DEVELOPMENT for CY2014

19 Conversion to Rating Tiers from PPPM [16]

Method:

Person

- 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)

20 Rates Balance Confirmation

| <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> |
| 1.08 | \$573.95 | - | \$0.00 | 24,434 | \$573.95 |
| 2.77 | \$1,380.07 | - | \$0.00 | 1,982 | \$1,380.07 |
| 2.10 | \$1,059.34 | - | \$0.00 | 243 | \$1,059.34 |
| 3.79 | \$1,865.46 | - | \$0.00 | 217 | \$1,865.46 |
| 1.08 | \$573.95 | 1.00 | \$129.23 | 1,715 | \$703.18 |
| 2.10 | \$1,059.34 | 1.00 | \$129.23 | 12 | \$1,188.57 |
| | \$0.00 | 1.00 | \$129.23 | 84,793 | \$129.23 |
| 1.08 | \$562.75 | 1.00 | \$129.23 | 1,088 | \$691.98 |
| 1.02 | \$531.78 | 1.00 | \$129.23 | 173 | \$661.01 |
| 2.71 | \$1,291.51 | 1.00 | \$129.23 | 37 | \$1,420.74 |
| | \$0.00 | 2.00 | \$258.46 | 7,210 | \$258.46 |
| 1.02 | \$485.39 | 2.00 | \$258.46 | - | \$743.85 |
| | <u>\$19,171,777</u> | | <u>\$13,212,514</u> | | <u>\$32,384,291</u> |

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



Appendix C - ASE Actives & NME Retirees

ASE ACTIVE RATE DEVELOPMENT for CY2014

| Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates | Gold | | | Silver | | | Bronze | | |
|---|---------------|------------------|---------------|---------------|------------------|-------------|---------------|------------------|-------------|
| | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total |
| | 1/12 - 12/12 | 1/12 - 12/12 | | 1/12 - 12/12 | 1/12 - 12/12 | | 1/12 - 12/12 | 1/12 - 12/12 | |
| | 1/12 - 3/13 | 1/12 - 3/13 | | 1/12 - 3/13 | 1/12 - 3/13 | | 1/12 - 3/13 | 1/12 - 3/13 | |
| | <u>A</u> | <u>B</u> | <u>C</u> | <u>D</u> | <u>E</u> | <u>F</u> | <u>G</u> | <u>H</u> | <u>I</u> |
| 1 Total Incurred Medical & Rx Claims (Experience Period) | \$156,308,170 | \$51,548,235 | \$207,856,406 | \$1,746,732 | \$494,905 | \$2,241,637 | \$2,920,175 | \$334,313 | \$3,254,488 |
| 2 Less High Cost Claims Above (Med/Rx) | \$9,442,151 | \$4,161,541 | \$13,603,693 | \$0 | \$7,179 | \$7,179 | \$0 | \$0 | \$0 |
| 3 Net Incurred Claims below Pooling Point [1 - 2] | \$146,866,019 | \$47,386,694 | \$194,252,713 | \$1,746,732 | \$487,726 | \$2,234,458 | \$2,920,175 | \$334,313 | \$3,254,488 |
| 4 Person Months for Experience Period | 601,630 | 601,630 | 601,630 | 14,560 | 14,560 | 14,560 | 34,992 | 34,992 | 34,992 |
| 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4] | \$244.11 | \$78.76 | \$322.87 | \$119.97 | \$33.50 | \$153.47 | \$83.45 | \$9.55 | \$93.00 |
| 6 Change in Benefits & Network/Contract During Experience Period | 1.0004 | 1.0003 | | 1.0323 | 1.0001 | | 0.9543 | 0.8260 | |
| 7 Change in Demographics or Risk During Experience Period | 1.0040 | 1.0057 | | 0.9816 | 0.9855 | | 1.0154 | 1.0108 | |
| 8 Change in Geographic During Experience Period | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | |
| 9 a) Annual Trend Rate | 6.0% | 5.0% | | 6.0% | 5.0% | | 6.0% | 5.0% | |
| b) Months to Trend | 24 | 24 | | 24 | 24 | | 24 | 24 | |
| c) Trend Adjustment | 1.1236 | 1.1025 | | 1.1236 | 1.1025 | | 1.1236 | 1.1025 | |
| 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c] | \$275.48 | \$87.35 | \$362.83 | \$136.59 | \$36.40 | \$172.99 | \$90.86 | \$8.79 | \$99.65 |
| 11 Charge for Claims above Pooling Point PPPM | \$15.69 | \$6.92 | \$22.61 | \$0.00 | \$0.49 | \$0.49 | \$0.00 | \$0.00 | \$0.00 |
| 12 Total Claims Charged PPPM [10 + 11] | \$291.17 | \$94.27 | \$385.44 | \$136.59 | \$36.89 | \$173.48 | \$90.86 | \$8.79 | \$99.65 |
| 13 Change in Future Benefits & Networks/Contracts | 0.9910 | 0.9795 | | 0.9920 | 0.9843 | | 0.9930 | 1.1194 | |
| 14 Change in Future Demographics (Age/Gender/Family) or Risk | 1.0143 | 1.0143 | | 1.3434 | 1.3434 | | 1.3612 | 1.3612 | |
| 15 Change in Future Network | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | |
| 16 Rating Incurred Claim PPPM [13 x 14 x 15] | \$292.67 | \$93.65 | \$386.32 | \$182.02 | \$48.78 | \$230.80 | \$122.81 | \$13.39 | \$136.20 |
| 17 ACA Transitional Reinsurance Fee PPPM | | | \$5.25 | | | \$5.25 | | | \$5.25 |
| 18 Projected Persons Months | 570,629 | 570,629 | 570,629 | 33,366 | 33,366 | 33,366 | 59,751 | 59,751 | 59,751 |
| 19 Projected Total Incurred Claims & Fee [(16 + 17) x 18] | \$167,004,265 | \$53,442,230 | \$223,442,297 | \$6,073,227 | \$1,627,702 | \$7,876,101 | \$7,337,951 | \$800,358 | \$8,452,001 |
| 20 PEPM Expense Load as % of Claims | | | \$32.44 | | | \$27.90 | | | \$30.40 |
| 21 Projected Expense Loaded Cost [19 + 20 x 22] | | | \$233,963,403 | | | \$8,382,991 | | | \$9,412,524 |
| 22 Conversion to Rating Tiers [21 x rating tier x counts] | | | | | | | | | |
| Method: | Person | | | | | | | | |
| | <u>x tier</u> | <u>Projected</u> | | <u>x tier</u> | <u>Projected</u> | | <u>x tier</u> | <u>Projected</u> | |
| | <u>factor</u> | <u>Ee Months</u> | <u>PEPM</u> | <u>factor</u> | <u>Ee Months</u> | <u>PEPM</u> | <u>factor</u> | <u>Ee Months</u> | <u>PEPM</u> |
| a) Employee Only | 1.15 | 187,274 | \$483.05 | 1.15 | 10,308 | \$299.13 | 1.15 | 17,324 | \$192.56 |
| b) Employee & Spouse | 2.75 | 42,032 | \$1,109.01 | 2.75 | 2,008 | \$675.90 | 2.74 | 4,527 | \$417.83 |
| c) Employee & Child(ren) | 1.91 | 57,024 | \$780.01 | 1.91 | 2,810 | \$477.87 | 1.90 | 4,121 | \$299.43 |
| d) Family | 3.51 | 37,055 | \$1,405.97 | 3.50 | 3,042 | \$854.64 | 3.49 | 5,624 | \$524.70 |
| e) Child(ren) of Medicare Retirees | 0.76 | 939 | \$329.40 | | | | | | |
| 23 Rates Balance Confirmation | | 324,324 | \$233,963,403 | | 18,168 | \$8,382,991 | | 31,596 | \$9,412,524 |

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





Appendix C - ASE Medicare Retirees

ASE MEDICARE RETIREE RATE DEVELOPMENT for CY2014

| Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates | Medicare | | Total |
|---|--|---|---------------------|
| | Medical 1/12 - 12/12 1/12 - 3/13 | Pharmacy 1/12 - 12/12 1/12 - 3/13 | |
| 1 Total Incurred Medical & Rx Claims * | \$17,142,889 | \$21,196,059 | \$38,338,948 |
| 2 <u>Less High Cost Claims Above (Med/Rx)</u> \$125,000 \$25,000 | \$89,976 | \$1,617,799 | \$1,707,775 |
| 3 Net Incurred Claims below Pooling Point [1 - 2] | \$17,052,913 | \$19,578,260 | \$36,631,173 |
| 4 <u>Person Months for Experience Period</u> | 112,212 | 112,212 | 112,212 |
| 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4] | \$151.97 | \$174.48 | \$326.45 |
| 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 | 6.0% | 5.0% | |
| b) Months to Trend | 24 | 24 | |
| c) <u>Trend Adjustment</u> | <u>1.1236</u> | <u>1.1025</u> | |
| 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c] | \$170.48 | \$192.36 | \$362.84 |
| 11 <u>Charge for Claims above Pooling Point PPPM</u> | <u>\$0.80</u> | <u>\$14.42</u> | <u>\$15.22</u> |
| 12 Total Claims Charged PPPM [10 + 11] | \$171.28 | \$206.78 | \$378.06 |
| 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 <u>Change in Future Geographic</u> | <u>1.0000</u> | <u>1.0000</u> | |
| 16 Projected Incurred Claim PPPM [13 x 14 x 15] | \$171.28 | \$206.78 | \$378.06 |
| 17 <u>Projected Persons Months</u> | 119,288 | 119,288 | 119,288 |
| 18 Projected Total Incurred Claims [16 x 17] | \$20,431,889 | \$24,666,550 | \$45,098,439 |

* Pharmacy Cost for Medicare has subtracted the RDS Subsidy.

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



Appendix C - ASE Medicare Retirees

ASE GOLD RETIREE RATE DEVELOPMENT for CY2014

19 Conversion to Rating Tiers from PPPM [16]

Method:

Person

- 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>Ee Months</u> | <u>PEPM</u> |
| 1.15 | \$483.05 | - | \$0.00 | 19,766 | \$483.05 |
| 2.75 | \$1,109.01 | - | \$0.00 | 6,637 | \$1,109.01 |
| 1.91 | \$780.01 | - | \$0.00 | 934 | \$780.01 |
| 3.51 | \$1,405.97 | - | \$0.00 | 400 | \$1,405.97 |
| 1.15 | \$483.05 | 1.00 | \$378.06 | 2,801 | \$861.11 |
| 1.91 | \$780.01 | 1.00 | \$378.06 | 109 | \$1,158.07 |
| - | \$0.00 | 1.00 | \$378.06 | 62,968 | \$378.06 |
| 1.15 | \$483.05 | 1.00 | \$378.06 | 4,380 | \$861.11 |
| 0.76 | \$329.40 | 1.00 | \$378.06 | 718 | \$707.46 |
| 2.36 | \$922.92 | 1.00 | \$378.06 | 357 | \$1,300.98 |
| - | \$0.00 | 2.00 | \$756.13 | 23,756 | \$756.13 |
| 0.76 | \$296.96 | 2.00 | \$756.13 | 221 | \$1,053.09 |
| | <u>\$22,385,282</u> | | <u>\$45,098,439</u> | | <u>\$67,483,721</u> |

20 Rates Balance Confirmation

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



Appendix D - Impact of Selected Benefit Changes PSE Only – Presented April 2013

| | <u>For 2013</u> <u>\$ million</u> |
|--|--------------------------------------|
| Administrative Expenses, Benefits, Medical Management | |
| 1) New Generic Copay Remains at Brand Copay | 1) \$0.2 |
| 2) For Gold & Silver: Change office visit co-pay 6 months early for | |
| a) Physical Therapy(PT)/Occupational Therapy(OT)/Speech Therapy(ST) = \$25 | 2a) \$0.2 or |
| b) PT/OT/ST and Primary Care Physicians (PCP) = \$30 | 2b) \$0.6 or |
| c) PT/OT/ST and PCP = \$35 | 2c) \$1.0 |
| 3) Change Gold Emergency Room Co-pay to \$150 for NME | 3) \$0.5 |
| 4) Charge \$250 Co-pay for all MRIs for Gold & Silver for NME | 4) \$0.1 |
| 5) Add a Specialty Drug Co-pay of \$100 for Gold & Silver | 5) \$0.1 |
| 6) Add \$5 to Tier 2 Rx Co-pay and \$10 to Tier 3 Rx Copay for Gold & Silver | 6) \$0.5 |
| 7) Add \$5 to the Generic Copay for Gold & Silver | 7) \$0.2 |
| 8) Increase Out-of-Pocket Maximum for Gold/Silver/Bronze to \$2000/\$3000/\$3000 | 8) \$1.0 |
| 9) Add \$500 to the deductible for all plans | 9) \$3.5 |
| 10) Add a \$5/10 PCP/SCP Co-Pay for Medicare eligible participants office visits | 10) <u>\$0.1</u> |
| Total | Up to \$7.2 |

All figures are preliminary and will be refined. Figures shown are approximately one-half of annual impact.



Appendix D- Impact of Selected Benefit Changes (Presented August 2012)

| | | Estimated Reduction in FY 2013 Claims & Expenses (\$ in millions) | | |
|-----------------------------------|--|---|--------|--------|
| | | PSE | ASE | Total |
| Actives & NME Retirees | | | | |
| 1 | Current OV & ER Copays after Medicare | n/a | n/a | n/a |
| 2 | Gold: OV to \$30/40; Silver to \$30/50 | \$ 1.4 | \$ 1.3 | \$ 2.7 |
| 3 | Gold: ER Copay to \$150 | \$ 0.5 | \$ 0.7 | \$ 1.1 |
| 4 | Gold: Add \$250/\$500 INN Deductible | \$ 4.7 | \$ 4.5 | \$ 9.2 |
| 5 | Gold: Rx Copays to \$10/\$35/\$70 | \$ 1.2 | \$ 1.1 | \$ 2.3 |
| 6 | Gold/Silver Specialty Rx \$100 Copay | \$ 0.1 | \$ 0.1 | \$ 0.2 |
| ME Retirees | | | | |
| 1 | Current OV & ER Copays after Medicare | \$ 1.2 | \$ 1.4 | \$ 2.6 |
| 2 | Gold: OV to \$30/40 | \$ 0.1 | \$ 0.1 | \$ 0.1 |
| 3 | Gold: ER Copay to \$150 | \$ 0.0 | \$ 0.1 | \$ 0.1 |
| 4 | Gold: Add \$250/\$500 INN Deductible | \$ 1.9 | \$ 2.5 | \$ 4.4 |
| 5 | Rx Copays to \$10/\$35/\$70 | \$ 0.0 | \$ 0.5 | \$ 0.5 |
| 6 | Specialty Rx \$100 Copay | \$ 0.0 | \$ 0.0 | \$ 0.0 |

*Note: The impact of multiple changes is not necessary the sum of individual changes.
Assumes no additional changes in migration as a result of benefit changes.
Assumes office visit and ER copays and deductibles applied after Medicare payments.*



Appendix D - Impact of Selected Benefit Changes (Presented August 2012 - continued)

| | Impact on Total Premium | | | | | |
|---|----------------------------------|---------------------------------|------------------------------------|----------------------------------|---------------------------------|------------------------------------|
| | PSE Gold Active Ee Only | PSE Gold Active Family | PSE Gold Retiree Medicare | ASE Gold Active Ee Only | ASE Gold Active Family | ASE Gold Retiree Medicare |
| Total Premium: No additional benefit changes | \$466.80 | \$1,538.40 | \$139.94 | \$443.80 | \$1,283.44 | \$360.23 |
| 1 Current OV & ER Copays after Medicare | \$0.00 | \$0.00 | (\$12.39) | \$0.00 | \$0.00 | (\$12.48) |
| 2 Gold: OV to \$30/40; Silver to \$30/50 | (\$2.70) | (\$9.12) | (\$0.58) | (\$2.54) | (\$7.36) | (\$0.55) |
| 3 Gold: ER Copay to \$150 | (\$0.98) | (\$3.30) | (\$0.33) | (\$1.30) | (\$3.76) | (\$0.48) |
| 4 Gold: Add \$250/\$500 INN Deductible | (\$9.32) | (\$31.54) | (\$20.01) | (\$8.96) | (\$25.94) | (\$21.34) |
| 5 Rx Copays to \$10/\$35/\$70 | (\$2.46) | (\$8.32) | \$0.00 | (\$2.18) | (\$6.30) | (\$4.18) |
| 6 Specialty Rx \$100 Copay | (\$0.24) | (\$0.80) | \$0.00 | (\$0.20) | (\$0.54) | (\$0.26) |

Note: The impact of multiple changes is not necessary the sum of individual changes.

Assumes no additional changes in migration as a result of benefit changes.

Assumes office visit and ER copays and deductibles applied after Medicare payments.

Impact shown is on total premium only. The Trustees will need to decide how to allocate to employee/retiree contributions.