AGENDA

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

April 11, 2014

9:00 a.m.

EBD Board Room – 501 Building, Suite 500

I.	*Call to Order*	*Gwen Wiggins, Chairman*
II.	*Approval of March 7, 2014 Minutes*	*Gwen Wiggins, Chairman*
III.	*Medicare Advantage Review & 2015 Projections*	*John Colberg, Cheiron*
IV.	*Possible Changes To The Schedule of Benefits*	*Bob Alexander, EBD Director*
VI.	*Director's Report*	*Bob Alexander, EBD Executive Director*

Upcoming Meetings

May 9th

NOTE: All material for this meeting will be available by electronic means only asepse-board@dfa.arkansas.gov

Notice: Silence your cell phones. Keep your personal conversations to a minimum. Observe restrictions designating areas as "Members and Staff only"

State and Public School Life and Health Insurance Board Benefits Sub-Committee Minutes April 11, 2014

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on April 11, 2014 in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present	Members Absent
Gwen Wiggins	
Janis Harrison	
Carla Wooley-Haugen	
Becky Walker	
Shelby McCook	
Dr. John Kirtley	
Dan Honey	
Jeff Altemus	

Bob Alexander, Executive Director, Employee Benefits Division (EBD)

Others Present

Senator David Pryor, David Keisner, UAMS; Michelle Hazelett, Marla Wallace, Doug Shackelford, Lori Eden, Stella Greene, Tammy McGill, Ethel Whittaker, Leslie Smith, Janna Keathley, Kristi Jackson, EBD; Pam Lawrence, AHH; Mark Meadors, BYSI; Takisha Sanders, Kathy Ryan, Kanita Collins, David Bridges, Ron DeBerry, Jim Bailey, ABCBS/Health Advantage; Ro Summers, ACHI; Mark Watts, ASEA; BJ Himes, Andra Kaufman, QualChoice; Ronda Walthall, Wayne Whitley, AHTD; Bob Walt, Humana; Treg Long, ACS; Mark Chambers, Compsych; Bill Clary, H & H; Alicia Hayden, CTRX; Rhonda Hill, ACHI; Peggy Nabors, AEA; Jeanie Stobaugh, AID

Call to Order

The meeting was called to order by Gwen Wiggins, Chairman

Approval of Minutes

A request was made by Wiggins to approve the minutes from March 7, 2014. Harrison made the motion to approve. Wooley-Haugen seconded. All were in favor.

Minutes approved

McCook recommended future meetings to begin at 10:00 a.m. This will assist those traveling a further distance. The committee agreed.

MEDICARE ADVANTAGE REVIEW *by John Colberg, Cheiron*

Colberg reported on Medicare Advantage Plans. A customized Group Medicare Advantage solution that has helped a large number of state health plans and retirement systems (covering state, police, fire and teachers) provides Medicare-eligible retirees/dependents/survivors with enhanced and affordable retiree medical benefits.

The current process is each claim is submitted to Medicare. Medicare pays its portions of the benefits, and then ARBenefits pays its portion of the benefits. Therefore, Medicare pays 80% and the Plan pays the remaining balance.

- ARBenefits Medicare Retiree vs. Medicare Advantage Retiree:

ARBenefits Medicare	**Medicare Advantage**
Provides benefits that supplement Medicare Part A and Part B • Network based primarily on Medicare Accepting/Participating • Minimal incentives for care management	Medicare contracts with the MA Organization (MAO) to provide Part A and Part B benefits • Use MAO provider network • Incentives for care management
Claim Payment • Two Payers: i. Medicare (Government) ii. ARBenefits • Medicare pays first; ARBenefits pays on the remaining claim amount	**Claim Payment** • Single Payer: ✓ MAO • Medicare pays the MA Plan a premium for each member, each month ✓ MA Plan assumes the risk associated to Part A and Part B Medicare coverage

Medicare Advantage will save money if:

- Claims are under Medicare Advantage, plus
- Medicare Advantage Organization Admin/Profit, minus
- Medicare Payment to Medicare Advantage Organization

There will be higher savings if there are lower claims under Medicare Advantage, and higher payments from Medicare to Medicare Advantage Organization.

Drivers of Medicare Advantage Savings are:

- Managed Care Network
- Management Programs
  - ✓ Utilization Management
  - ✓ Disease Management
  - ✓ Wellness Programs

Medicare prescription drug alternatives are:

- Integrate with a Medicare Advantage Employer Group Waiver Program (EGWP) plan (cover Medical & Drug)
- Convert program to Part D EGWP and wraparound

The considerations are as follows:

- Political environment: rules can change at any time
- Various moving parts that change annually
- Incentive for Medicare Advantage Organization
- Whether to include prescription drugs

2015 PROJECTIONS: *by John Colberg, Cheiron*

Colberg reported on a recap of last year's decisions and 2015 projections. Reduced Gold, Silver, and Bronze benefits to limit contribution increase:

- Increase deductible for Silver and Bronze
- Increase out-of-pocket max for all plans
- Increase physician and pharmacy copays for Gold and Silver
- Medical co-pays contribute to out-of-pocket max

No change to Medicare benefits:

- Contribution increase in lieu of benefit reduction

For PSE:

- Additional $43 million funding from the State (one time event)
- 10% increase in contribution rates for actives
- $5 per adult surcharge built into premium to rebuild Catastrophic Reserve

For ASE:

- About 1% increase in contribution rates for actives
- Allocate $18 million of new reserve ($9 million for 2014, $5.4 million for 2015, $3.6 million for 2016)

PSE Preliminary Aggregate Projections:

No Changes	Total Mon Prem	State Contribution	School Dist Cont	2015 Total EE Cost	2014 Total EE Cost
Actives	$278.30	$86.6	$79.9	$111.7	$77.9
Non-Medicare El. Ret	$29.0	$0.0	$0.0	$29.0	$24.5
Medicare Eligible Ret	$19.9	$6.5	$0.0	$13.4	$12.0
Total	$327.2	$93.1	$0.0	$154.2	$114.3

Changes to Gold incl $1000 deductible; remove Silver	Total Mon Prem	State Contribution	School Dist Cont	2015 Total EE Cost	2014 Total EE Cost
Actives	$270.4	$86.6	$79.9	$103.9	$77.9
Non-Medicare El. Ret	$27.9	$0.0	$0.0	$27.9	$24.5
Medicare Eligible Ret	$19.8	$6.5	$0.0	$13.4	$12.0
Total	$318.2	$93.1	$0.0	$145.1	$114.3

Above with removing NME Spouses	Total Mon Prem	State Contribution	School Dist Cont	2015 Total EE Cost	2014 Total EE Cost
Actives	$245.0	$86.6	$79.9	$78.5	$62.9
Non-Medicare El. Ret	$25.9	$0.0	$0.0	$25.9	$21.7
Medicare Eligible Ret	$18.8	$6.5	$0.0	$12.4	$11.1
Total	$289.8	$93.1	$0.0	$116.7	$95.7

ASE Preliminary Aggregate Projections:

No Changes; no use of reserves	Total Mon Prem	State Contribution	Reserve Allocation	2015 Total EE Cost	2014 Total EE Cost
Actives	$239.0	$149.4	$0.0	$89.6	$59.3
Non-Medicare El. Ret	$24.1	$5.9	$0.0	$18.1	$12.0
Medicare Eligible Ret	$51.1	$16.8	$0.0	$34.3	$22.7
Total	$314.2	$172.1	$0.0	$142.1	$94.0

Changes to Gold incl $1000 deductible; remove Silver	Total Mon Prem	State Contribution	Reserve Allocation	2015 Total EE Cost	2014 Total EE Cost
Actives	$225.3	$149.4	$0.0	$75.9	$59.3
Non-Medicare El. Ret	$22.8	$5.9	$0.0	$15.9	$12.0
Medicare Eligible Ret	$50.9	$16.8	$0.0	$34.2	$22.7
Total	$299.0	$172.1	$0.0	$126.8	$94.0

Above with $11.6 million reserves used	Total Mon Prem	State Contribution	Reserve Allocation	2015 Total EE Cost	2014 Total EE Cost
Actives	$225.3	$149.4	$8.8	$67.1	$59.3
Non-Medicare El. Ret	$22.8	$5.9	$0.9	$15.9	$12.0
Medicare Eligible Ret	$50.9	$16.8	$2.0	$32.3	$22.7
Total	$299.0	$172.1	$11.7	$115.2	$94.0

POSSIBLE CHANGES TO THE SCHEDULE OF BENEFITS: *by Bob Alexander, Executive Director EBD*

Alexander reported the legislators passed a law that the Gold Plan must have a deductible in 2015. Alexander requested Cheiron add a $1000 deductible to the Gold Plan.

DIRECTOR'S REPORT: *by Bob Alexander, Executive Director EBD*

Alexander reported on updates from the taskforce. The taskforce will meet next week. However, EBD will not submit recommendations until the April 30th meeting.

Wiggins reminded the committee that the new meeting time is 10:00 a.m. Honey motioned to adjourn. Wooley-Haugen seconded. All were in favor.

Meeting adjourned

Arkansas State Employees & Public School Employees Health Benefits Program

Medicare Advantage Review & Next Steps

April 11, 2014

John Colberg, FSA, MAAA
Gaelle Gravot, FSA, MAAA

Topics

- How ARBenefits for Medicare Retirees Works Now
- Current ARBenefits for Medicare Retirees vs Medicare Advantage
- Savings from Medicare Advantage
- Medicare Prescription Drug Alternatives
- Considerations & Next Steps

Appendices

A. Assumptions & Methods
B. How Medicare Advantage Works
C. Star Ratings
D. Use & Disclosures

How ARBenefits for Medicare Retirees Works Now

- Each claim is submitted to Medicare.
- Medicare pays its portion of the benefits.
- Plan then pays its portion of the benefits.

Example: $1,000 Claim

- Medicare pays 80%
- Plan pays remaining balance

	Coinsurance	Allowed	Paid
Medicare	20%	$ 1,000	$ 800
Plan	0%	$ 200	$ 200

ARBenefits Medicare vs. Medicare Advantage Medical Benefits

ARBenefits for Medicare

Overview

- Provides benefits that supplement Medicare Part A and Part B
  - Network based primarily on Medicare Accepting/Participating
  - Minimal incentives for care management

Claim Payment

- Two Payers:
  (i) Medicare (Government)
  (ii) ARBenefits
- Medicare pays first; ARBenefits pays on remaining claim amount

Medicare Advantage *(MA)*

Overview

- Medicare contracts with the MA Organization (MAO) to provide Part A and Part B benefits
  - Use MAO provider network
  - Incentives for care management

Claim Payment

- Single Payer:
  (i) MAO
- Medicare pays the MA Plan a premium for each member, each month
  - MA Plan assumes the risk associated to Part A and Part B Medicare coverage

Savings From Medicare Advantage

- Medicare Advantage will save money if

  (1) Claims under MA
  plus (2) MAO Admin/Profit
  minus (3) Medicare Payment to MAO

  is less than
  ARBenefits claims + Claims admin (about $180 PMPM)

- Will have higher savings if
  - Lower Claims under MA
  - Higher Payment from Medicare to MAO

Drivers of Medicare Advantage Savings

- Reducing Claims under MA
  - Managed Care Network (e.g., PPO, HMO, PFFS)
  - Management Programs
    - Utilization Management
    - Disease Management
    - Wellness Programs (e.g. Silver Sneakers)
- How Medicare (Government) Payment is Determined
  - Geographic Location (payments vary by county)
  - Risk Score (measure of health status)
    - MAO usually improves diagnosis coding but no control over reporting of prior year diagnoses
  - CMS Star Rating (quality rating: goal of 4.0 or higher)
    - See Appendix C
  - Changes from Affordable Care Act

Benchmark* Medicare Payment

- Geographic Variation in Arkansas (2015)
  - Highest County
    - $829.31 per member per month for a 5-star plan
    - $802.77 pmpm for a 3-star plan
  - Lowest County
    - $674.69 pmpm for a 5-star plan
    - $646.58 pmpm for a 3-star plan
- Lower benchmarks in 2015 due to ACA

	2014		2015	
Star Rating	Benchmark	Rebate %	Benchmark	Rebate %
2.50	$778.83	50%	$743.14	50%
3.00	$801.58	50%	$743.14	50%
3.50	$805.37	65%	$743.14	65%
4.00	$816.75	65%	$777.70	65%
4.50	$816.75	70%	$777.70	70%
5.00	$816.75	70%	$777.70	70%

(*) 2015 benchmark rates released by CMS on April 7, 2014

Medicare Prescription Drug Alternatives

- Current approach
  - ASE: Same benefits as actives; apply for Retiree Drug Subsidy from Medicare
  - PSE: not offered
- Alternative approaches:
  - Integrate with a Medicare Advantage Employer Group Waiver Program (EGWP) plan (cover Medical & Drug)
  - Convert program to Part D EGWP + wraparound

Considerations

- Political environment: rules can change at any time.
- Lots of moving parts – and all reset annually
  - Medicare Allowed had to be estimated
  - Benchmark rates
  - MAO Star-rating
  - Risk Scores
  - MAO bids components
  - Geographic distribution
- Incentive for MAO to:
  - Maximize Star-rating
  - Maximize Risk score
  - Maximize Care Management savings
- Whether to include prescription drugs

Conclusion/Options

- Preliminary analysis shows savings are likely, though potential is reduced significantly from prior years.
  - Probably in the range of 10%, based on the assumptions; however results are highly sensitive to assumptions and can vary greatly
  - Savings are not guaranteed and possible to result in additional costs; depends on geography, risk, effectiveness of MAO selected; recommend additional analysis
- Possible options
  - Pursue RFP for 1/1/2015 effective date
    - Additional analysis in parallel that evaluates further the geography and risk of the population
  - Pursue RFP for 1/1/2016 effective date
    - Would allow analysis to be completed prior to issuing RFP
    - Likely will be an increase in number of 4 star plans available

Appendices

Appendix A: Assumptions and Methods

- Risk Score (RS) assumptions based on relationship of ASE/PSE claim cost to OptumInsight benchmark claim cost.
  - Raw RS = ASE(PSE) paid claim/Benchmark paid claim
  - Best Guess/Default RS = (Raw RS)^0.75 if Raw RS > 1, (Raw RS)^(1/0.75) if Raw RS < 1

Appendix A: Assumptions and Methods

- Geographic Distribution:
  - 100% in Pulaski County (Little Rock area)
    - ➔2015 Benchmark at 1.00 Risk Score = $743.14
- Star-Rating: 3
- Admin load in bid: $60 (PMPM)
- Profit load in bid: 3% of required revenue
- Current ASO Admin Costs (PMPM): $21.00 ASE; $24.73 PSE
- ASO Admin Costs under MA (PMPM): $1.31 ASE; $0.33 PSE
- 8% UM Savings

Appendix A: Assumptions and Methods

- Using 2013 incurred claims from the ARK Claim Database, we calculated the ME medical experience (allowed and paid) for CY 2013.
- We then projected 2015 Plan Allowed and Paid using the same benefit assumptions and trends (6%) as in the current H-Scan used for 2015 Rate Projections.
- We used the OptumInsight model to estimate the total Allowed and Paid (Medicare + Plan).
- We calibrated our projections so that the Plan paid match 2015 projected claim cost PMPM for ME retirees.
- Using the distribution of claims by service category from OptumInsight, and 2014 CMS Bid Pricing Tool (BPT) spreadsheet adjusted for 2015 rates and rebates published by CMS on April 7, 2014, we estimated the “member premium” for each UM savings/Risk Score combination.
- We then added to the member premium, the ASO cost (PMPM) for NME spouse and dependent, and compared the sum to the projected 2015 claims + ASO cost PMPM.

Appendix B: How Medicare Advantage Works

- Plan/insurance company contracts with Center for Medicare & Medicaid Services (CMS) to become a Medicare Advantage Organization (MAO).
  - MA-PD (including prescription drugs)
  - MA only (excluding prescription drugs)
- MAO submits bids (rate filings) to CMS every year.
  - Bid = Amount Per Member Per Month (PMPM) required by MAO to cover Medicare Traditional Benefits. Risk and geographically adjusted.
  - Benchmark = Amount PMPM CMS is ready to pay MAO for covering Medicare Traditional Benefits. Risk and geographically adjusted.
  - Savings = Bid – Benchmark. At expected risk and geographic distribution.
  - MA Rebates = Percentage of Savings
    - Based on "Star" (quality) rating of MAO (e.g. 50% for 3-Star MAO, 70% for 5-Star MAO in 2015)
    - Used to pay toward benefits provided beyond Medicare FFS.
  - Premium = Portion of the required revenue that is not covered by Bid and MA Rebates. Premium cannot be negative but can be $0.
- Network based product (PPO, HMO, POS, PFFS) ➔ Utilization management savings opportunity.

Appendix B: How Medicare Advantage Works

- Revenue:
  - Medicare Pays MAO Bid amount + MA Rebates monthly.
    - Bid amount varies by:
      - Health of population (risk score)
      - Geography (at county level)
    - MA Rebates are set at time of bid
  - Buyer (Individual, Employer) pays premium for cost beyond Medicare payment.
- Claims:
  - MAO pays claims based on total allowed (include Medicare FFS portion).

Appendix B: Examples

- CMS Payment to MAO

	Expected Bid	Actual Ex # 1	Actual Ex # 2
Star-Rating	3	3	3
Risk Score	1.050	0.900	1.100
Geography	1.000	1.000	0.950
Bid	$ 700.00	$ 600.00	$ 696.67
Benchmark	$ 800.00	$ 685.71	$ 796.19
Savings	$ 100.00	$ 85.71	$ 99.52
Rebates	$ 50.00	$ 50.00	$ 50.00
Payment to MAO	$ 750.00	$ 650.00	$ 746.67

- MAO Claim Payment

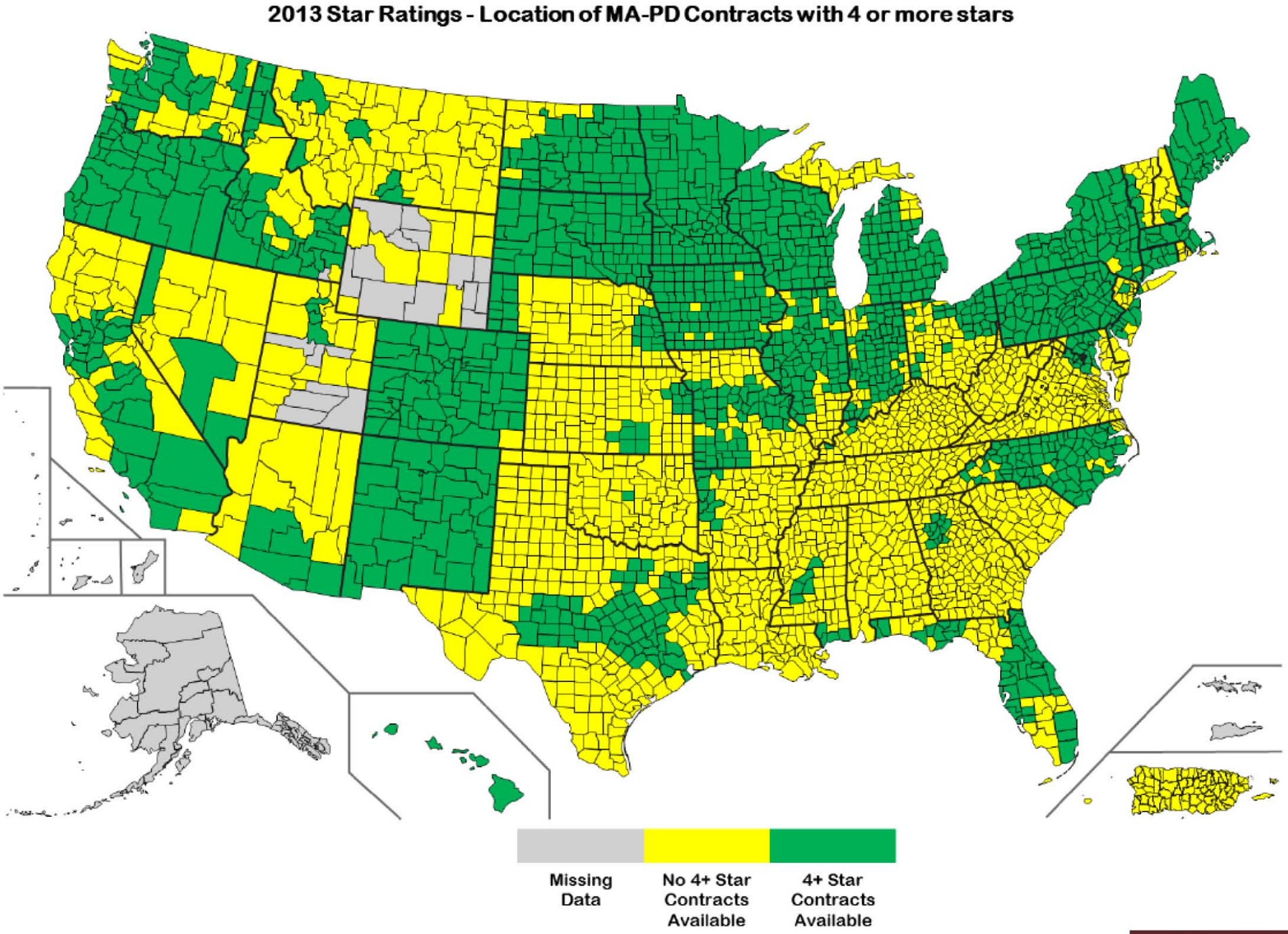
	Coinsurance	Allowed	Paid
Plan	0%	$ 1,000	$ 1,000

Appendix C: Star Ratings as of October 2013 for Organizations in Pulaski County

Organization	Plan Name	Overall Rating
Coventry	Advantra Premier Plus (PPO)	3.5
Arkansas Blue Cross and Blue Shield	AR Blue Cross - Medi-Pak Advantage (PFFS)	3.0
Care Improvement Plus	Care Improvement Plus Medicare Advantage (PPO)	3.0
	Care Improvement Plus Medicare Advantage (Regional PPO)	2.5
Humana Insurance Company	Humana Gold Choice H8145 (PFFS)	4.0
	Humana Gold Plus H2012 (HMO)	3.5
	HumanaChoice H7188 (PPO)	3.0
	HumanaChoice R5826 (Regional PPO)	3.5
Universal American Corp.	Today's Options Advantage Plus 950E (PPO)	3.0
Windsor Medicare Extra	Windsor Medicare Extra Emerald Plan (HMO)	3.0

Sources: CMS 10/21/2013 Landscape files and Part C Report Card Master Table Summary as of 10/17/2013

Appendix C:



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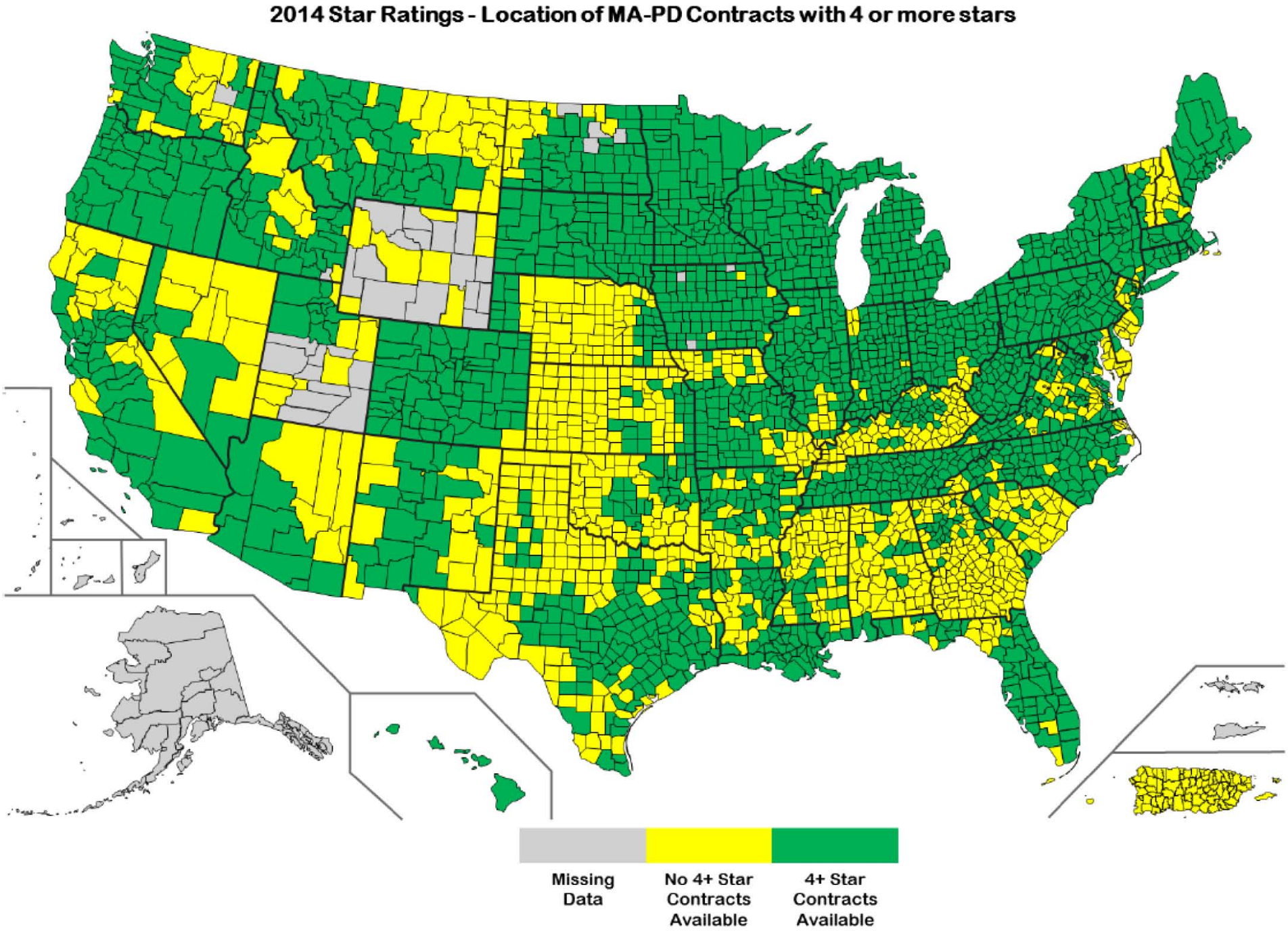
Appendix C:



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Appendix D - Use & Disclosures

- Key assumptions and methods are shown on Appendix A of this presentation. Assumptions are subject to change as additional information regarding 2015 MA plans is released by CMS and the analysis is further refined for geographic and risk characteristics.
- In preparing the information in this presentation, we relied without audit, on information (some oral and some written) supplied by the EBD, the Plan's vendors, and CMS. This information includes, but is not limited to, the plan provisions, employee eligibility data, financial information and claims data, and 2015 ratebook. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.
- Cheiron's analysis was prepared exclusively for the Employee Benefits Division of the State of Arkansas for the specific purpose of exploring Medicare Advantage plans as a potential coverage option for the Arkansas State and Public School retired Medicare Eligible employees. 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.

CHEIRON CLASSIC VALUES, INNOVATIVE ADVICE

Arkansas State Employees & Public School Employees Health Benefits Program

Preliminary Projections for CY 2015 Rates

Benefits Committee

April 11, 2014

John Colberg, FSA, MAAA

Gaelle Gravot, FSA, MAAA

Preliminary Aggregate Projections: PSE

	Total Monthly Premium	Direct State Contribution (subsidy for ME)	School District Contrib.	2015 Total EE Cost	2014 Total EE Cost	Change in Premiums ($/%)		Assumed Enrollment
No changes								
Actives	$278.3	$86.6	$79.9	$111.7	$77.9	$33.9	44%	44,415
Non-Medicare Eligible Retirees	$29.0	$0.0	$0.0	$29.0	$24.5	$4.5	19%	3,829
Medicare Eligible Retirees	$19.9	$6.5	$0.0	$13.4	$12.0	$1.4	12%	9,481
Total	$327.2	$93.1	$0.0	$154.2	$114.3	$39.9	35%	57,725
Changes to Gold incl $1,000 deductible; remove Silver								
Actives	$270.4	$86.6	$79.9	$103.9	$77.9	$26.0	33%	44,415
Non-Medicare Eligible Retirees	$27.9	$0.0	$0.0	$27.9	$24.5	$3.4	14%	3,829
Medicare Eligible Retirees	$19.8	$6.5	$0.0	$13.4	$12.0	$1.4	12%	9,481
Total	$318.2	$93.1	$0.0	$145.1	$114.3	$30.8	27%	57,725
Above with Removing NME Spouses								
Actives	$245.0	$86.6	$79.9	$78.5	$62.9	$15.6	25%	44,415
Non-Medicare Eligible Retirees	$25.9	$0.0	$0.0	$25.9	$21.7	$4.2	20%	3,829
Medicare Eligible Retirees	$18.8	$6.5	$0.0	$12.4	$11.1	$1.3	11%	9,481
Total	$289.8	$93.1	$0.0	$116.7	$95.7	$21.1	22%	57,725

Dollars are shown in Millions.

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

Preliminary Aggregate Projections: ASE

	Total Monthly Premium	Direct State Contribution	Reserve Allocation	2015 Total EE Cost	2014 Total EE Cost	Change in Premiums ($/%)		Assumed Enrollment
No changes; no use of reserves								
Actives	$239.0	$149.4	$0.0	$89.6	$59.3	$30.3	51%	27,968
Non-Medicare Eligible Retirees	$24.1	$5.9	$0.0	$18.1	$12.0	$6.1	51%	2,928
Medicare Eligible Retirees	$51.1	$16.8	$0.0	$34.3	$22.7	$11.6	51%	9,481
Total	$314.2	$172.1	$0.0	$142.1	$94.0	$48.0	51%	40,377
Changes to Gold incl $1,000 deductible; remove Silver								
Actives	$225.3	$149.4	$0.0	$75.9	$59.3	$16.6	28%	44,415
Non-Medicare Eligible Retirees	$22.8	$5.9	$0.0	$16.8	$12.0	$4.8	40%	3,829
Medicare Eligible Retirees	$50.9	$16.8	$0.0	$34.2	$22.7	$11.4	50%	9,481
Total	$299.0	$172.1	$0.0	$126.8	$94.0	$32.8	35%	57,725
Above with $11.6 million reserves used								
Actives	$225.3	$149.4	$8.8	$67.1	$59.3	$7.8	13%	44,415
Non-Medicare Eligible Retirees	$22.8	$5.9	$0.9	$15.9	$12.0	$3.9	32%	3,829
Medicare Eligible Retirees	$50.9	$16.8	$2.0	$32.2	$22.7	$9.4	41%	9,481
Total	$299.0	$172.1	$11.7	$115.2	$94.0	$21.2	23%	57,725

Dollars are shown in Millions.

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

Appendix A – Current Benefit Summary

Benefit Option Name: Last Modified: Provider Network:	Gold 1/1/2014 Health Advantage	Silver 1/1/2014 QualChoice	Bronze 1/1/2014 Health Advantage
In-Network (INN) Benefits			
Deductible (Individual / Family)	None / None	$1000 / $2000	$2000 / $3000
Coinsurance	20%	20%	20%
Copays			
Office Visit - Primary Care (PCP)	$35	$35	Ded. & Coins.
OV - Specialist Care Provider (SCP)	$70	$70	Ded. & Coins.
Urgent Care (UC)	$100	$150	Ded. & Coins.
Emergency Room (ER) Non-admitted	$250	$300	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)	$2500 / $5000	$4000 / $8000	$6350 / $9525
Out-of-Network (OON) Benefits [1]			
Deductible (Individual / Family)	$1000 / $2000	$2000 / $4000	$4000 / $8000
Coinsurance	40%	40%	40%
Out-of-Pocket Max (Individual / Family)	$6000 / $12000	$8000 / $16000	$12700 / $19000
Annual Maximum INN / OON	Unlimited	Unlimited	Unlimited
Prescription Drugs			
Separate Deductible then the following Copays:			
Retail (31 Days) - Generic/Formulary /Non-Form./ Specialty	$15 / $40 / $80 / $100	$15 / $40 / $80 / $100	Ded. & Coins.
Mail Order (93 Days) - Generic/Form. /Non-Form.	$45 / $120/ $240	$45 / $120 / $240	Ded. & Coins.
Selected Detail Benefits			
Emergency Transportation - Ambulance	INN: $50 Copay; OON: Ded & Coins.	INN: $50 Copay; OON: Ded & Coins.	
Psychiatry	INN: $25 Copay; OON: Ded & Coins.	INN: $25 Copay; OON: Ded & Coins.	Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical):	INN: $35 Copay; OON: Ded. & Coins.	INN: $35 Copay; OON: Ded. & Coins.	Ded. & Coins.
Chiropractors:	INN: $35 ; OON: Ded & Coins.	INN: $50; 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

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

Appendix B – Assumptions & Disclosures

- Plan Election:
  - For ASE plan election will be similar to 2014.
  - For PSE 8,000 actives leaving Gold.
  - Increases in Medicare eligible retirees (to 8,500 for ASE and 9,000 for PSE).
- Experience period: Calendar year 2013 completed from claims paid through January 2014
- Trend assumption: 7.5% annually for medical and Rx
- PSE claims savings if NME spouses removed will be same as 2013 claims
- Additional details about the assumptions and methods will be provided in follow-up documentation.
- 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.
- 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.