

**State and Public School Life
And Health Insurance Board
Minutes
May 15, 2012**

The 121st meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on May 15, 2012 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

MEMBERS PRESENT

Renee Mallory
Lloyd Black
Dr. Joseph Thompson
Janis Harrison
Kelly Chaney
Shawn Cook
Bob Alexander
Mark White
Carla Wooley
Dr. Andrew Kumpuris

MEMBERS ABSENT

Coby Logan

MEMBERS PRESENT BY PROXY

Brenda McCrady for John Kirtley

Jason Lee, Executive Director, Employee Benefits Division.

OTHERS PRESENT:

Dr. Matthew Hadley, UAMS College of Nursing; Gaelle Gravot, Cheiron; George Platt, Marla Wallace, Doug Shackelford, Michelle Hazelett, Sherri Saxby, Tracy Collins, Latryce Taylor, Sherry Bryant, Lori Eden, Melida Vasquez, Janna Keathley, Cathy Harris, EBD; Ron Deberry, David Bridges, Barbara Melugin, Tonya Rogers, Health Advantage; Ronda Walthall, Wayne Whitley, AR Highway & Transportation Dept, Rodger Kormylo, Connie Bennett, SXC Health Solutions; Dwight Davis, Jill Johnson, UAMS, EBRx; Joe Chang, MN Life; Andra Kaufman, Marc Watts, Matt Twyford; Nick Poole AR State Employee Association; George Burks, USable; Kelly Jackson, Merck; Mark Chambers, Compsych; Doris Williams, AR Dept of Health, Brenda McCrady, AR State Board of Pharmacy

CALL TO ORDER

Meeting was called to order by Renee Mallory, Chair

APPROVAL OF MINUTES

The request was made by Mallory to approve the January 17, 2011 minutes. Chaney made the motion to approve minutes. Harrison seconded. All were in favor. Minutes approved.

FINANCIALS by Marla Wallace, CFO

Wallace presented detailed financial statements for the Arkansas State Employees (ASE) and the Public School Employees (PSE) for January, February and March 2012.

SUBCOMMITTEE REPORTS

1. Drug Utilization & Evaluation Committee (DUEC) by *Dr. Matthew Hadley, Chairman*

Dr. Hadley reported the DUEC met on April 9, 2012, and then presented the following recommendation for Board consideration.

- a. **Vibryd (vilazodone)** indicated use for major depressive disorder. Vibryd is currently excluded from coverage.

Recommendation: Continue to exclude.

Thompson made the motion to adopt. Harrison seconded. All were in favor. Motion carried.

- b. **Incivek** (telaprevir tabs) indicated use for treatment of chronic hepatitis C.

Recommendation: Continue to exclude telaprevir (Incivek). Continue to cover Boceprevir (Victrelis) for non-responders. Liver Biopsy required.

Chaney made the motion to adopt. Harrison seconded. All were in favor. Motion carried.

- c. **First Review Medications**

Thompson made the motion to accept the DUEC's recommendations for new drugs. Harrison seconded. All were in favor. Motion carried.

2. Benefits Subcommittee Report by *Lloyd Black*

Black reported on the March 9th and May 11th Benefits meeting.

- a. **PSE LIFE INSURANCE**

Black made the motion to accept the proposed Life Insurance benefit design as a move towards parity for ASE & PSE. Dr. Thompson seconded.

- There would be one life insurance pool made up of all members (allocation of billing to ASE, PSE, etc., would be done internally)

using the same admin fee process used for other benefits coordinators).

- The benefit would be defined as follows:
 - Basic Life (Mandated for all employees) \$10,000 paid by employee unless employer chooses to cover. No medical underwriting with a flat rate.
 - Additional Basic Life Amount \$30,000 paid by employee no medical underwriting if done at initial enrollment with a flat rate.
 - Supplemental up to \$250,000 paid by employee with medial underwriting and age banded.
 - Dependent up to \$40,000 paid by employee with medical underwriting and flat rate.

A discussion ensued.

Lee said they had an internal discussion since the March benefits meeting about increasing the additional basic life employee amount to \$40,000. Lee said the tax code allows for \$50,000 of basic life insurance to be established on a pretax basis. Lee said the increase will help the members get closer to the allowed amount without having numerous pretax contributions.

Dr. Thompson in a friendly amendment to the above motion requested the benefit definition for Basic Life include wording to clarify that the \$10,000 basic life is only available upon initial hire, otherwise subject to underwriting if opted during open enrollment, and to increase the additional basic life insurance to \$40,000. Black agreed to the friendly amendment.

One opposed. Motion carried.

b. Brand & Generic Drug

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

Harrison seconded.

A discussion ensued.

All were in favor. Motion carried.

The Board requested that EBD make an attempt to implement the program September 1, 2012.

c. 2011 Financial Monitoring Report & 2013 Plan Year Rates

Black reported CHEIRON presented the financial monitoring report for AR State Employees (ASE) and Public School Employees (PSE) for plan year 2011 & 2013 Plan year rates.

No action was taken by the Benefits committee.

2013 PLAN YEAR RATES by Gaelle Gravot

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

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

No action was taken by the Board.

DIRECTOR'S REPORT by Jason Lee

Lee informed the Board a performance audit report for EBD was recently presented to the legislative committee. Lee took a moment to thank the EBD staff for a job well done.

Meeting adjourned.



AGENDA

State and Public School Life and Health Insurance Board

EBD Board Room - 501 Building - 5th Floor

May 15, 2012

1:00 p.m.

- 1. Call to Order** *Renee Mallory, Chair*
- 2. Approval of Minutes** *Renee Mallory, Chair*
- 3. Financials (January, February & March)** *Marla Wallace, CFO*
- 4. Subcommittee Reports**
- DUEC* *Dr. Matthew Hadley, Chairman*
Benefits Subcommittee *Lloyd Black, Co-Chair*
- 5. 2013 Plan Year Rates** *John Colberg, Cheiron*
- 6. Director's Report** *Jason Lee, Executive Director*

Upcoming Meetings

June 19th

July 17th

October 16th

The Drug Utilization and Evaluation Committee (DUEC)

The following recommendations for the Board consideration resulted from a meeting of the DUEC on April 9, 2012.

1. SECOND REVIEW MEDICATIONS

- a. **Vibryd (vilazodone)** indicated use for major depressive disorder.

Vibryd is currently excluded from coverage.

Johnson reported there are still no head-to-head trials comparing vilazodone to other selective serotonin reuptake inhibitors (SSRIs) or serotonin/norepinephrine reuptake inhibitors (SNRIs) to know relative efficacy.

Recommendation: Continue to exclude.

- b. **Incivek (telaprevir tabs)**

The committee reviewed information about the formulary management of the Protease Inhibitors Boceprevir and Telaprevir for Chronic Hepatitis C Virus, and the study regimen and comparator for “Previous partial response” (reduction of $>2\log_{10}$ after 12 w of tx but with detectable HCV RNA thereafter), and “Relapse” (undetectable at end of tx but then detectable thereafter).

Johnson reported Telaprevir has been shown to be effective in treatment-naïve patients, relapsers, partial responders, and null responders. Boceprevir has been shown to be effective in treatment-naïve patients, relapsers, and partial responders, but it has not been studied in prior null responders.”Both drugs have data that show efficacy in treatment naïve patients. Each also has data for previous partial responders.

Recommendation: Continue to exclude telaprevir (Incivek). Continue to cover Boceprevir (Victrelis) for non-responders. Liver Biopsy required.

FIRST REVIEW MEDICATIONS *by Jill Johnson*

Drug Name

Tier Status

Conzip caps

Exclude

Tx of moderate to severe pain

Firazyr inj

Exclude

used to treat attacks of hereditary angioedema (an immune system disorder).

Xalkori

T3 w/PA

*Available from select specialty pharmacies

For the tx of patients with locally advanced or metastatic non-small cell lung cancer that is anaplastic lymphoma kinase-positive.

Lazanda Spray

Exclude

Initiate w/100mcg - 1 spray in 1 nostril for breakthrough cancer pain. Is only available through the Lazanda REMS program - prescribers (who prescribe for outpatient use) and dispensing pharmacies must enroll in REMS

Juvisync

Exclude

For the combined treatment of type 2 diabetes mellitus and hypercholesterolemia, hyperlipoproteinemia, and/or hypertriglyceridemia and for myocardial infarction prophylaxis, and/or stroke prophylaxis in patients for whom treatment with both sitagliptin and simvastatin is appropriate.

Ferriprox

T3 W/ PA

Oral treatment for transfusional iron overload

Jakafi

T3 W/PA

Tx of myelofibrosis

Onfi tabs 5, 10, 20mg tabs

Exclude

Oral benzodiazepine for adjunct treatment to other anticonvulsants for Lennox-Gastaut syndrome

Medrox-Rx Oint

Exclude

Pain relief oint for temporary relief of minor aches/pains of the muscles and joints

Dutoprol

Exclude

Hypertension

Aurstat Kit

Exclude-kit

For itch/pain from minor skin irritations, lacerations, abrasions & minor burns. Alternative to "bleach baths"

Drug Name

Tier Status

Edarbyclor

T3ARB step therapy

Angiotensin receptor blocker (ARB) + diuretic combination for hypertension

Oxecta

Exclude

Immediate release oxycodone (5 or 7.5mg) in a dosage form designed to discourage common methods of tampering associated with opioid abuse and misuse

Picato Gel

T3

Used to treat actinic keatosis

Bydureon

Exclude

Once weekly injection for treatment of Type 2 diabetes.

Erivedge caps

Exclude / review in 6 mos.

Basal cell carcinoma

Inlyta

Exclude / review in 6 mos.

Advanced renal cell cancer after failure of one prior systemic therapy.

Jentadueto

Exclude

Once daily oral treatment for Type 2 diabetes. Combination of Tradjenta and metformin.

Kalydeco

Exclude / review in 6 mos.

Treatment of cystic fibrosis

Rectiv

Exclude

Treatment of moderate to severe pain associated with chronic anal fissures

Janumet XR tabs

Exclude

Oral once daily treatment for Type 2 diabetes

Zithranol Shampoo

T3 /check utilization in 1yr

Medicated shampoo for treatment of psoriasis

Zioptan Drops

Exclude

Treatment of glaucoma, increased intraocular pressure, ocular hypertension

ELECTION OF OFFICERS

Dr. Matthew Hadley & Kat Neill were elected to a second term as DUEC Chairman and Co-chair.

State and Public School Life and Health Insurance Board

Benefits Sub-Committee Report

Meeting Date: March 9, 2012

1. PSE LIFE INSURANCE

Recommendation: To accept the proposed Life Insurance benefit design as a move towards parity for ASE & PSE.

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

2. 2011 FINANCIAL MONITORING REPORT

CHEIRON presented the financial monitoring report for AR State Employees (ASE) and Public School Employees (PSE) for plan year 2011. Colberg reported on the total plan experience, enrollment, claims, expense details, contributions, reserves and plan changes.

No action taken by the committee.



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

Meeting Date: May 11, 2012

1. BRAND & GENERIC DRUGS

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

2. 2013 PLAN YEAR RATES

Cherion presented the 2013 plan year rates.

No action was taken by the committee.

Arkansas State Employees & Public School Employees Health Benefits Program

Preliminary Rates for CY 2013

John Colberg, FSA, MAAA

May 15, 2012





Topics

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Projected Excess Reserves

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



Recap of Last Year's Decisions

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



Recap of Last Year's Decisions

- PSE smoothing or how the \$18 million got used:
 1. Increased Gold employee costs 10% from 2011 HA
 2. Decreased Silver employee costs 7.5% from 2011 HA
 3. Bronze employee costs set to \$0 for employee only coverage
 4. Held retiree costs constant for Gold retirees (Medicare and Non-Medicare)
 5. Silver and Bronze retiree costs set to 100% of total premium rate
- ASE smoothing or how the \$37.3 million got used:
 1. Held Gold active employee and retiree costs constant
 2. Employees and retirees electing Silver had costs reduced by dollar difference between Gold and Silver total premium rate
 3. State paid 100% of cost for Bronze active employees and 50% of the Bronze dependent costs
 4. Bronze NME retiree costs set to 100% of total premium rate



PSE Actives & NME Retirees

PSE ACTIVE RATE DEVELOPMENT for CY2013

Plan: Benefit: Experience Period - Service (Incurred) Dates Experience Period - Processed (Paid) Dates	Gold			Silver			Bronze		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	1/11 - 12/11	1/11 - 12/11		1/11 - 12/11	1/11 - 12/11		1/11 - 12/11	1/11 - 12/11	
	1/11 - 3/12	1/11 - 3/12		1/11 - 3/12	1/11 - 3/12		1/11 - 3/12	1/11 - 3/12	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$169,910,695	\$53,388,440	\$223,299,135	\$1,395,073	\$475,424	\$1,870,497	\$17,038,962	\$2,570,032	\$19,608,994
2 <u>Less High Cost Claims Above (Med/Rx)</u>	\$100,000	\$20,000	\$120,000	\$6,328	\$23,266	\$29,594	\$257,768	\$83,568	\$341,336
3 Net Incurred Claims below Pooling Point [1 - 2]	\$159,067,060	\$49,460,063	\$208,527,123	\$1,388,745	\$452,158	\$1,840,902	\$16,781,194	\$2,486,464	\$19,267,658
4 <u>Person Months for Experience Period</u>	675,003	675,003	675,003	11,588	11,588	11,588	140,361	140,361	140,361
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$235.65	\$73.27	\$308.92	\$119.84	\$39.02	\$158.86	\$119.56	\$17.71	\$137.27
6 Change in Benefits During Experience Period	1.0002	1.0001		0.9198	0.9046		0.9498	0.8482	
7 Change in Network During Experience Period	0.9825	1.0000		1.1531	1.0000		0.8685	1.0000	
8 Change in Demographics or Risk During Experience Period	1.0056	1.0090		0.9892	0.9903		0.9825	0.9697	
9 Change in Geographic During Experience Period	<u>1.0051</u>	<u>0.9918</u>		<u>1.0051</u>	<u>0.9918</u>		<u>1.0000</u>	<u>1.0000</u>	
10 a) Annual Trend Rate	5.8%	5.0%		5.8%	5.0%		5.8%	5.0%	
b) Months to Trend	24	24		24	24		24	24	
c) Trend Adjustment	<u>1.1194</u>	<u>1.1025</u>		<u>1.1194</u>	<u>1.1025</u>		<u>1.1194</u>	<u>1.1025</u>	
11 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9 x 10c]	\$262.01	\$80.85	\$342.86	\$141.47	\$38.22	\$179.69	\$108.46	\$16.06	\$124.52
12 <u>Charge for Claims above Pooling Point PPPM</u>	\$16.06	\$5.82	\$21.88	\$0.55	\$2.01	\$2.55	\$1.84	\$0.60	\$2.43
13 Total Claims Charged PPPM [11 + 12]	\$278.08	\$86.67	\$364.74	\$142.01	\$40.23	\$182.24	\$110.30	\$16.66	\$126.96
14 Change in Future Benefits	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
15 Change in Future Demographics (Age/Gender/Family) or Risk	1.0290	1.0290		1.7021	1.7021		1.1832	1.1832	
16 Change in Future Geographic	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
17 <u>Change in Future Network</u>	<u>1.0000</u>	<u>1.0000</u>		<u>1.0000</u>	<u>1.0000</u>		<u>1.0000</u>	<u>1.0000</u>	
18 Rating Incurred Claim PPPM [18 blended with 19]	\$286.14	\$89.18	\$375.31	\$241.73	\$68.47	\$310.19	\$130.50	\$19.71	\$150.21
19 <u>Projected Persons Months</u>	559,082	559,082	559,082	76,740	76,740	76,740	237,271	237,271	237,271
20 Projected Total Incurred Claims [18 x 19]	\$159,973,258	\$49,857,978	\$209,831,236	\$18,550,079	\$5,254,324	\$23,804,402	\$30,964,530	\$4,676,057	\$35,640,587
21 <u>PPPM Expense Load as % of Claims</u>			\$21.59			\$21.59			\$21.59
22 Projected Expense Loaded PPPM [18 + 21]			\$396.90			\$331.78			\$171.80
23 <u>Retiree Subsidy / Holdback PEPM</u>			\$11.20			\$11.20			\$11.20
24 Projected Total Expense Loaded Cost [(22 x 19) + (23 x 26)]			\$226,372,426			\$26,017,977			\$42,356,777
25 Conversion to Rating Tiers [21 x rating tier x counts]									
Method: <u>Historical</u>	<u>factor</u>	<u>Projected Ee Months</u>	<u>PEPM</u>	<u>factor</u>	<u>Projected Ee Months</u>	<u>PEPM</u>	<u>factor</u>	<u>Projected Ee Months</u>	<u>PEPM</u>
a) Employee Only	1.12	317,303	\$454.44	1.15	36,898	392.37	1.13	97,759	\$205.78
b) Employee & Spouse	3.29	11,318	\$1,316.21	3.38	1,769	\$1,133.38	3.29	9,573	\$576.58
c) Employee & Child(ren)	2.09	53,643	\$839.68	2.15	7,365	\$723.61	2.10	17,293	\$371.90
d) Family	3.31	16,699	\$1,325.85	3.41	3,684	\$1,141.69	3.32	17,671	\$582.27
e) Child(ren) of Medicare Retirees	0.97	240	\$396.43						
26 Rates Balance Confirmation		399,204	\$226,372,426		49,716	\$26,017,977		142,296	\$42,356,777

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



PSE Actives: Scenario A (No Reserves to Retirees) No New Reserves are Being Allocated



PSE Detailed Financials



Total Active & Ret (\$ mil)	\$308.9	\$56.6	\$9.0	\$74.0	\$169.3	\$139.6	\$29.6		56,468
Actives	Total Monthly Premium	State Cont. Act 1842/1421	Res. Alloc.	School District Contrib.	2013 Total EE Cost	2012 Total EE Cost	Change in Premiums (\$/%)		Assumed Enrollment
Gold									
Employee Only	\$454.44	\$79.14	\$19.08	\$131.00	\$225.22	\$187.36	\$37.86	20%	25,131
Employee & Spouse	1,316.20	140.68	33.92	131.00	1,010.60	848.92	161.68	19%	849
Employee & Child(ren)	839.68	107.78	25.99	131.00	574.91	480.56	94.35	20%	4,453
Family	1,325.84	145.70	35.13	131.00	1,014.01	851.20	162.81	19%	1,383
Est. Monthly Total (\$mil)	\$18.1	\$2.8	\$0.7	\$4.2	\$10.5	\$8.7	\$1.7		31,817
Silver									
Employee Only	\$392.36	\$79.14	\$19.08	\$131.00	\$163.14	\$157.56	\$5.58	4%	2,759
Employee & Spouse	1,133.38	140.68	33.92	131.00	827.78	713.86	113.92	16%	129
Employee & Child(ren)	723.60	107.78	25.99	131.00	458.83	404.10	54.73	14%	612
Family	1,141.70	145.70	35.13	131.00	829.87	715.78	114.09	16%	306
Est. Monthly Total (\$mil)	\$2.0	\$0.3	\$0.1	\$0.5	\$1.1	\$1.0	\$0.1		3,806
Bronze									
Employee Only	\$205.78	\$74.78	\$0.00	\$131.00	\$0.00	\$0.00	\$0.00	n/a	7,792
Employee & Spouse	576.58	132.94	0.00	131.00	312.64	186.52	126.12	68%	744
Employee & Child(ren)	371.90	101.84	0.00	131.00	139.06	83.32	55.74	67%	1,440
Family	582.28	137.68	0.00	131.00	313.60	188.46	125.14	66%	1,465
Est. Monthly Total (\$mil)	\$3.4	\$1.0	\$0.0	\$1.5	\$0.9	\$0.5	\$0.4		11,441
Total (Monthly) (\$ mil)	\$23.6	\$4.2	\$0.8	\$6.2	\$12.5	\$10.3	\$2.2		47,064
Est Annual Total (\$ mil)	\$282.6	\$50.0	\$9.1	\$74.0	\$149.6	\$123.3	\$26.3		

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

PSE Actives: Scenario B (Medicare Retirees +10%) No New Reserves Are Being Allocated



PSE Detailed Financials

H-scan

Total Active & Ret (\$ mil)	\$308.9	\$56.6	\$9.0	\$74.0	\$169.3	\$139.6	\$29.7		56,468
Actives	Total Monthly Premium	State Cont. Act 1842/1421	Res. Alloc.	School District Contrib.	2013 Total EE Cost	2012 Total EE Cost	Change in Premiums (\$/%)		Assumed Enrollment
Gold									
Employee Only	\$454.44	\$79.14	\$14.37	\$131.00	\$229.93	\$187.36	\$42.57	23%	25,131
Employee & Spouse	1,316.20	140.68	25.55	131.00	1,018.97	848.92	170.05	20%	849
Employee & Child(ren)	839.68	107.78	19.57	131.00	581.33	480.56	100.77	21%	4,453
Family	1,325.84	145.70	26.45	131.00	1,022.69	851.20	171.49	20%	1,383
Est. Monthly Total (\$mil)	\$18.1	\$2.8	\$0.5	\$4.2	\$10.6	\$8.7	\$1.9		31,817
Silver									
Employee Only	\$392.36	\$79.14	\$14.37	\$131.00	\$167.85	\$157.56	\$10.29	7%	2,759
Employee & Spouse	1,133.38	140.68	25.55	131.00	836.15	713.86	122.29	17%	129
Employee & Child(ren)	723.60	107.78	19.57	131.00	465.25	404.10	61.15	15%	612
Family	1,141.70	145.70	26.45	131.00	838.55	715.78	122.77	17%	306
Est. Monthly Total (\$mil)	\$2.0	\$0.3	\$0.1	\$0.5	\$1.1	\$1.0	\$0.1		3,806
Bronze									
Employee Only	\$205.78	\$74.78	\$0.00	\$131.00	\$0.00	\$0.00	\$0.00	n/a	7,792
Employee & Spouse	576.58	132.94	0.00	131.00	312.64	186.52	126.12	68%	744
Employee & Child(ren)	371.90	101.84	0.00	131.00	139.06	83.32	55.74	67%	1,440
Family	582.28	137.68	0.00	131.00	313.60	188.46	125.14	66%	1,465
Est. Monthly Total (\$mil)	\$3.4	\$1.0	\$0.0	\$1.5	\$0.9	\$0.5	\$0.4		11,441
Total (Monthly) (\$ mil)	\$23.6	\$4.2	\$0.6	\$6.2	\$12.7	\$10.3	\$2.4		47,064
Est Annual Total (\$ mil)	\$282.6	\$50.0	\$6.8	\$74.0	\$151.8	\$123.3	\$28.5		

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

PSE Non-Medicare Retirees: Scenario A = Scenario B

No New Reserves Are Being Allocated



PSE Detailed Financials



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

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



PSE Medicare Retirees

PSE MEDICARE RETIREE RATE DEVELOPMENT for CY2013

Plan:

Benefit:

Experience Period - Service (Incurred) Dates

Experience Period - Processed (Paid) Dates

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

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



PSE Retirees

PSE GOLD RETIREE RATE DEVELOPMENT for CY2013

1 Conversion to Rating Tiers

PPPM [17]

Method:

Historical

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

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

2 Rates Balance Confirmation

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



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



PSE Detailed Financials



ME Retirees	Total Monthly Premium	Subsidy / Holdback	Res. Alloc.	2013 Total Ret. Cost	2012 Total Ret. Cost	2009 Total Ret. Cost	Change in Premiums (\$/%)	Assumed Enrollment
Medicare Eligible								
Retiree Only	\$147.28	\$74.87	\$0.00	\$72.41	\$41.44	\$41.44	\$30.97 75%	6,609
Retiree & NME SP	590.52	15.67	0.00	574.85	568.37	674.34	6.48 1%	107
Retiree & Child(ren)	532.51	78.76	0.00	453.75	421.17	421.18	32.58 8%	15
Retiree & NME SP&CH	1,018.68	99.93	0.00	918.75	877.42	1,054.08	41.33 5%	4
Retiree & ME SP	294.56	87.69	0.00	206.87	170.59	170.60	36.28 21%	595
Retiree & ME SP & CH	679.79	91.58	0.00	588.21	550.32	550.33	37.89 7%	1
Est. Monthly Total (\$mil)	\$1.2	\$0.6	\$0.0	\$0.7	\$0.4	\$0.5	\$0.2	7,331
Total (Est. Annual)	\$14.7	\$6.6	\$0.0	\$8.1	\$5.4	\$5.5	\$2.7	

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



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



PSE Detailed Financials



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

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



ASE Actives & NME Retirees

ASE ACTIVE RATE DEVELOPMENT for CY2013

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

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



ASE Actives

\$32.3 million of New Reserves Allocated *

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

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

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



ASE NME Retirees

\$32.3 million of New Reserves Allocated

CHEIRON ASE Detailed Financials H-scan

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

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

ASE Medicare Retirees

ASE MEDICARE RETIREE RATE DEVELOPMENT for CY2013

Plan:

Benefit:

Experience Period - Service (Incurred) Dates

Experience Period - Processed (Paid) Dates

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

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



ASE Medicare Retirees

ASE GOLD RETIREE RATE DEVELOPMENT for CY2013

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

* Pharmacy Cost for Medicare has subtracted the RDS Subsidy.

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



ASE ME Retirees

\$32.3 million of New Reserves Allocated



ASE Detailed Financials



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

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



Appendices



Appendix A – PSE Actives 2012 Final Rate Details

Actives	Medical and Pharmacy*	Expenses	Retirement Subsidy	Total Monthly Premium	State Cont. (Act 1842/1421)	Res. Alloc.	School District Contrib.	2012 Total EE Cost	2011 Total EE Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Gold												
Employee Only	\$393.64	\$32.52	\$11.20	\$437.36	\$90.12	\$28.88	\$131.00	\$187.36	\$170.34	\$17.02	10%	29,716
Employee & Spouse	1,158.96	32.52	11.20	1,202.68	160.22	62.54	131.00	848.92	771.74	77.18	10%	1,253
Employee & Child(ren)	735.76	32.52	11.20	779.48	122.74	45.18	131.00	480.56	436.87	43.69	10%	5,224
Family	1,167.52	32.52	11.20	1,211.24	165.92	63.12	131.00	851.20	773.82	77.38	10%	1,807
Est. Monthly Total (\$mil)	\$19.1	\$1.2	\$0.4	\$20.8	\$3.8	\$1.3	\$5.0	\$10.7	\$9.7	\$1.0		38,000
Silver												
									(2011 HA)			
Employee Only	\$357.90	\$32.52	\$11.20	\$401.62	\$90.12	\$22.94	\$131.00	\$157.56	\$170.34	(\$12.78)	-8%	1,520
Employee & Spouse	1,053.68	32.52	11.20	1,097.40	160.22	92.32	131.00	713.86	771.74	(57.88)	-8%	61
Employee & Child(ren)	668.92	32.52	11.20	712.64	122.74	54.80	131.00	404.10	436.87	(32.77)	-8%	325
Family	1,061.48	32.52	11.20	1,105.20	165.92	92.50	131.00	715.78	773.82	(58.04)	-8%	95
Est. Monthly Total (\$mil)	\$0.9	\$0.1	\$0.0	\$1.0	\$0.2	\$0.1	\$0.3	\$0.5	\$0.5	\$0.0		2,000
Bronze												
Employee Only	\$105.18	\$32.52	\$11.20	\$148.90	\$17.90	\$0.00	\$131.00	\$0.00	\$15.10	(\$15.10)	-100%	5,324
Employee & Spouse	305.62	32.52	11.20	349.34	31.82	0.00	131.00	186.52	333.10	(146.58)	-44%	330
Employee & Child(ren)	194.98	32.52	11.20	238.70	24.38	0.00	131.00	83.32	155.36	(72.04)	-46%	637
Family	308.70	32.52	11.20	352.42	32.96	0.00	131.00	188.46	333.70	(145.24)	-44%	709
Est. Monthly Total (\$mil)	\$1.0	\$0.2	\$0.1	\$1.3	\$0.1	\$0.0	\$0.9	\$0.2	\$0.5	-\$0.3		7,000
Total (Monthly) (\$ mil)	\$21.0	\$1.5	\$0.5	\$23.1	\$4.2	\$1.4	\$6.2	\$11.4	\$10.8	\$0.7		47,000
Est Annual Total (\$ mil)	\$252.4	\$18.3	\$6.3	\$277.0	\$50.0	\$16.2	\$73.9	\$136.9	\$129.1	\$7.8		



Appendix A – PSE Retirees 2012 Final Rate Details

NME Retirees	Medical and Pharmacy*	Expenses	Retiree Holdback	Total Monthly Premium		Res. Alloc.		2012 Total Ret. Cost	2011 Total Ret. Cost	Change in Retiree Premiums (\$ / %)	Assumed Enrollment
Gold											
Retiree Only	\$393.64	\$32.52	\$31.26	\$457.42		\$0.00		\$457.42	\$457.42	\$0.00 0%	1,579
Retiree & NME SP	1,158.96	32.52	11.20	1,202.68		50.67		1,152.01	1,152.01	0.00 0%	142
Retiree & Child(ren)	735.76	32.52	11.20	779.48		11.20		768.28	768.28	0.00 0%	7
Retiree & NME SP&CH	1,167.52	32.52	11.20	1,211.24		51.42		1,159.82	1,159.82	0.00 0%	8
Retiree & ME SP	538.40	32.52	25.90	596.82		0.00		596.82	596.82	0.00 0%	112
Retiree & ME SP & CH	880.50	32.52	11.20	924.22		16.51		907.71	907.71	0.00 0%	1
Est. Monthly Total (\$mil)	\$0.9	\$0.1	\$0.1	\$1.0		\$0.0		\$1.0	\$1.0	\$0.0	1,850
Silver											
Employee Only	\$357.90	\$32.52	\$11.20	\$401.62		\$0.00		\$401.62	\$457.42	(\$55.80) -12%	213
Employee & Spouse	1,053.68	32.52	11.20	1,097.40		0.00		1,097.40	1,152.01	(54.61) -5%	34
Employee & Child(ren)	668.92	32.52	11.20	712.64		0.00		712.64	768.28	(55.64) -7%	1
Family	1,061.48	32.52	11.20	1,105.20		0.00		1,105.20	1,159.82	(54.62) -5%	1
Est. Monthly Total (\$mil)	\$0.1	\$0.0	\$0.0	\$0.1		\$0.0		\$0.1	\$0.1	\$0.0	250
Bronze											
Employee Only	\$105.18	\$32.52	\$11.20	\$148.90		\$0.00		\$148.90	\$457.42	(\$308.52) -67%	85
Employee & Spouse	305.62	32.52	11.20	349.34		0.00		349.34	1,152.01	(802.67) -70%	14
Employee & Child(ren)	194.98	32.52	11.20	238.70		0.00		238.70	768.28	(529.58) -69%	0
Family	308.70	32.52	11.20	352.42		0.00		352.42	1,159.82	(807.40) -70%	0
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0		\$0.0	\$0.1	\$0.0	100
Total (Monthly) (\$ mil)	\$1.0	\$0.1	\$0.1	\$1.1		\$0.0		\$1.1	\$1.2	(\$0.1)	2,200
Est Annual Total (\$ mil)	\$11.9	\$0.9	\$0.7	\$13.4		\$0.1		\$13.3	\$14.0	(\$0.6)	
ME Retirees	Medical and Pharmacy*	Expenses		Total Monthly Premium	Subsidy / Holdback	Res. Alloc.		2012 Total Ret. Cost	2011 Total Ret. Cost	Change in Premiums (\$/%)	Assumed Enrollment
Medicare Eligible											
Retiree Only	\$144.75	\$0.00		\$144.75	\$96.93	\$6.38		\$41.44	\$41.44	\$0.00 0%	5,523
Retiree & NME SP	538.39	0.00	29.98	568.37	0.00	0.00		568.37	568.37	0.00 0%	101
Retiree & Child(ren)	486.85	0.00		486.85	61.62	4.06		421.17	421.17	0.00 0%	14
Retiree & NME SP&CH	918.61	0.00		918.61	38.65	2.54		877.42	877.42	0.00 0%	3
Retiree & ME SP	289.49	0.00		289.49	111.55	7.35		170.59	170.59	0.00 0%	458
Retiree & ME SP & CH	631.60	0.00		631.60	76.26	5.02		550.32	550.32	0.00 0%	1
Est. Monthly Total (\$mil)	\$1.0	\$0.0	\$0.0	\$1.0	\$0.6	\$0.0		\$0.4	\$0.4	\$0.0	6,100
Total (Est. Annual)	\$12.0	\$0.0	\$0.0	\$12.0	\$7.0	\$0.5		\$4.5	\$4.5	\$0.0	

Appendix A – ASE Actives 2012 Final Rate Details

Actives	Medical and Pharmacy	Expenses	Total Monthly Premium	State Contrib.	Reserve Alloc.	2012 EE Total Cost	2011 EE Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Gold										
Employee Only	\$396.14	\$43.24	\$439.38	\$307.26	\$36.34	\$95.78	\$95.78	\$0.00	0%	14,691
Employee & Spouse	1,002.94	43.24	1,046.18	606.68	71.76	367.74	367.74	0.00	0%	3,240
Employee & Child(ren)	614.44	43.24	657.68	414.96	49.08	193.64	193.64	0.00	0%	4,481
Family	1,118.60	43.24	1,161.84	663.71	78.51	419.62	419.62	0.00	0%	3,138
Est. Monthly Total (\$mil)	\$15.3	\$1.1	\$16.4	\$10.4	\$1.2	\$4.8	\$4.8	\$0.0		25,550
Silver							(2011 HA)			
Employee Only	\$362.48	\$43.24	\$405.72	\$307.26	\$36.34	\$62.12	\$95.78	(\$33.66)	-35%	763
Employee & Spouse	917.72	43.24	960.96	606.68	71.76	282.52	367.74	(85.22)	-23%	142
Employee & Child(ren)	562.24	43.24	605.48	414.96	49.08	141.44	193.64	(52.20)	-27%	228
Family	1,023.58	43.24	1,066.82	663.71	78.51	324.60	419.62	(95.02)	-23%	118
Est. Monthly Total (\$mil)	\$0.7	\$0.1	\$0.7	\$0.5	\$0.1	\$0.2	\$0.2	(\$0.1)		1,250
Bronze										
Employee Only	\$103.22	\$43.24	\$146.46	\$146.46	\$0.00	\$0.00	\$7.16	(\$7.16)	-100%	922
Employee & Spouse	257.68	43.24	300.92	223.70	0.00	77.22	154.02	(76.80)	-50%	155
Employee & Child(ren)	158.90	43.24	202.14	174.30	0.00	27.84	60.33	(32.49)	-54%	147
Family	287.64	43.24	330.88	238.68	0.00	92.20	183.54	(91.34)	-50%	175
Est. Monthly Total (\$mil)	\$0.2	\$0.1	\$0.3	\$0.2	\$0.0	\$0.0	\$0.1	(\$0.0)		1,400
Total (Monthly) (\$ mil)	\$16.2	\$1.2	\$17.4	\$11.2	\$1.3	\$5.0	\$5.1	(\$0.1)		28,200
Est Annual Total (\$ mil)	\$194.4	\$14.6	\$209.0	\$133.8	\$15.5	\$59.7	\$60.9	(\$1.2)		

Appendix A – ASE Retirees 2012 Final Rate Details

NME Retirees	Medical and Pharmacy*	Expenses	Total Monthly Premium	State Contributions and Reserves		2012 Ret. Total Cost	2011 Ret. Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Gold										
Retiree Only	\$396.14	\$43.24	\$439.38	\$203.64	\$0.00	\$235.74	\$235.74	\$0.00 0%	1,243	
Retiree & NME SP	1,002.94	43.24	1,046.18	401.73	68.57	575.88	575.88	0.00 0%	410	
Retiree & Child(ren)	614.44	43.24	657.68	217.84	0.00	439.84	439.84	0.00 0%	56	
Retiree & NME SP&CH	1,118.62	43.24	1,161.86	245.14	0.00	916.72	916.72	0.00 0%	30	
Retiree & ME SP	740.74	43.24	783.98	323.07	59.37	401.54	401.54	0.00 0%	201	
Retiree & ME SP & CH	959.06	43.24	1,002.30	388.57	6.96	606.77	606.77	0.00 0%	10	
Est. Monthly Total (\$mil)	\$1.1	\$0.1	\$1.2	\$0.5	\$0.0	\$0.7	\$0.7	\$0.0	1,950	
Silver										
Employee Only	\$362.48	\$43.24	\$405.72	\$203.64	\$0.00	\$202.08	\$235.74	(\$33.66) -14%	159	
Employee & Spouse	917.72	43.24	960.96	401.73	68.57	490.66	575.88	(85.22) -15%	53	
Employee & Child(ren)	562.24	43.24	605.48	217.84	0.00	387.64	439.84	(52.20) -12%	33	
Family	1,023.58	43.24	1,066.82	245.14	0.00	821.68	916.72	(95.04) -10%	5	
Est. Monthly Total (\$mil)	\$0.1	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1	\$0.1	(\$0.0)	250	
Bronze										
Employee Only	\$103.22	\$43.24	\$146.46	\$0.00	\$0.00	\$146.46	\$235.74	(\$89.28) -38%	64	
Employee & Spouse	257.68	43.24	300.92	0.00	0.00	300.92	575.88	(274.96) -48%	21	
Employee & Child(ren)	158.90	43.24	202.14	0.00	0.00	202.14	439.84	(237.70) -54%	13	
Family	287.64	43.24	330.88	0.00	0.00	330.88	916.72	(585.84) -64%	2	
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	100	
Total (Monthly) (\$ mil)	\$1.3	\$0.1	\$1.4	\$0.6	\$0.0	\$0.7	\$0.8	(\$0.0)	2,300	
Est Annual Total (\$ mil)	\$15.1	\$1.1	\$16.3	\$6.8	\$0.5	\$8.9	\$9.1	(\$0.1)		
ME Retirees	Medical and Pharmacy*	Expenses	Total Monthly Premium	State Contributions and Reserves		2012 Ret. Total Cost	2011 Ret. Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Medicare Eligible										
Retiree Only	\$344.61	\$0.00	\$344.61	\$206.76	\$20.72	\$117.12	\$117.12	\$0.00 0%	4,758	
Retiree & NME SP	740.75	0.00	740.75	294.03	0.00	446.72	446.72	0.00 0%	340	
Retiree & Child(ren)	562.91	0.00	562.91	248.05	0.00	314.86	314.86	0.00 0%	52	
Retiree & NME SP&CH	1,067.08	0.00	1,067.08	422.60	0.00	644.48	644.48	0.00 0%	27	
Retiree & ME SP	689.21	0.00	689.21	344.61	66.12	278.49	278.49	0.00 0%	1,811	
Retiree & ME SP & CH	907.52	0.00	907.52	431.28	0.00	476.24	476.24	0.00 0%	13	
Est. Monthly Total (\$ mil)	\$3.2	\$0.0	\$3.2	\$1.7	\$0.2	\$1.3	\$1.3	\$0.0	7,000	
Total (Est. Annual)	\$38.5	\$0.0	\$38.5	\$20.8	\$2.6	\$15.0	\$15.0	\$0.0		



Appendix B - Benefit Options

Benefit Option Name: Last Modified: Plan Coverage Relative Value: Provider Network:	Gold 1/1/2012 1.00 Health Advantage	Silver 1/1/2012 QualChoice	Bronze 1/1/2012 Heath Advantage
<u>In-Network (INN) Benefits</u>			
Deductible (Individual / Family)	None / None	\$750 / \$1500	\$1500 / \$3000
Coinsurance	20%	20%	20%
Copays			
Office Visit - Primary Care (PCP)	\$25	\$25	Ded. & Coins.
OV - Specialist Care Provider (SCP)	\$35	\$50	Ded. & Coins.
Urgent Care (UC)	\$100	\$150	Ded. & Coins.
Emergency Room (ER) Non-admitted	\$100	\$150	Ded. & Coins.
Outpatient Surgery	\$100 then Ded. & Coins.	\$150 then Ded. & Coins.	Ded. & Coins.
Hospital Inpatient	\$250 then Ded. & Coins.	\$300 then Ded. & Coins.	Ded. & Coins.
Out-of-Pocket Max (Individual / Family)	\$1500 / \$3000	\$2000 / \$4000	\$2500 / \$5000
<u>Out-of-Network (OON) Benefits ¹</u>			
Deductible (Individual / Family)	\$1000 / \$2000	\$1500 / \$3000	\$3000 / \$6000
Coinsurance	40%	40%	40%
Out-of-Pocket Max (Individual / Family)	\$5000 / \$10000	\$5000 / \$10000	\$5000 / \$10000
Annual Maximum INN / OON	Unlimited / \$1,000,000	Unlimited / \$1,000,000	Unlimited / \$1,000,000
<u>Prescription Drugs</u>			
Separate Deductible then the following Copays:			
Retail (31 Days) - Generic/Formulary /Non-Form.	\$10 / \$30 / \$60	\$10 / \$35 / \$70	Ded. & Coins.
Mail Order (93 Days) - Generic/Form. /Non-Form.	\$30 / \$90 / \$180	\$30 / \$105 / \$210	Ded. & Coins.
<u>Selected Detail Benefits</u>			
Psychiatry	INN: \$25 Copay; OON: Ded & Coins.	INN: \$25 Copay; OON: Ded & Coins.	Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical):	Ded. & Coins. INN: \$35 then Ded & Coins;	Ded. & Coins. INN: \$50 then Ded & Coins;	Ded. & Coins.
Chiropractors:	OON: Ded & Coins.	OON: Ded & Coins.	Ded. & Coins.
Hearing Aids:	No Cost; Limit of \$1400 per ear every 3 years	No Cost; Limit of \$1400 per ear every 3 years	Ded. & Coins.
Durable Medical Equipment (DME):	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Preventive Care:	INN: No Cost; OON: Coins. except immun. no cost	INN: No Cost; OON: Coins. except immun. no cost	INN: No Cost; OON: Coins. except immun. no cost



Appendix B - Benefit Options (Cont.)

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 C

Assumptions & Methods

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



Trend Analysis

AR Health - Preliminary ASE Trend Development

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

* blended based on medical claims

AR Health - Preliminary PSE Trend Development

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

* blended based on medical claims