

**State and Public School Life and  
Health Insurance Board  
Benefits Sub-Committee  
Minutes  
July 9, 2010**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Friday, July 9, 2010 at 9:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

**Members Present**

Jeff Altemus  
Bob Alexander  
Janis Harrison  
Shelby McCook  
Lloyd Black  
Becky Walker  
Gwen Wiggins

**Members Absent**

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

**Others Present:**

John Colberg, Cheiron, George Platt, Leigh Ann Chrouch, Michelle Hazelette, Amy Tustison, Doug Shackelford, Stella Greene, Lori Eden, Florence Marvin, Latryce Taylor, Paige Harrington, Kathy Johnson, Ellen Justus, Tracy Collins, Cathy Harris, EBD; Rhonda Hill, ACHI-EBD; Barbara Melugin, Kathy Ryan, Ron DeBerry, David Bridges, AR BC/BS Health Advantage; Ronda Walthall, Sarah Sanders, Highway & Transportation Dept; Sharon Marcum, LifeSynch; Shonda Rocke, InformedRx; Kim Henderson, AR Development Finance Authority; Dwane Tankersley, Bryan Meldrum, NovaSys; Mona Neal, Public Service Commission; George Burks, USABLE; Donna Haven, AR Economic Development Commission; Marc Watts, AR State Employee Association; Robbie Weaver, Richard Hutchinson

**Call to Order**

The meeting was called to order by Jeff Altemus, Chairman.

**Approval of Minutes**

A request was made by Altemus to approve the June 4, 2010 minutes. Walker made the motion to approve. Harrison seconded. All were in favor. Minutes approved.

**STRATEGIC PLANNING WORKGROUP REPORT** by George Platt, EBD

Platt reported they have submitted the Early Retiree Reinsurance Program application and are waiting for a response. Platt talked about the latest healthcare reform rules and regulations for lifetime and annual caps.

Platt said they are reviewing TMJ and will send requests to other states about how they are covering the benefit.

Platt announced the Benefits Strategic Planning Workgroup (BSPW) will conduct a health care reform discussion on August 3<sup>rd</sup> at 1:30 pm in the EBD Board room. The discussion will include plan vendors and the meeting is also open to the public. Platt encouraged committee members to attend the meeting as well.

**2011 ASE ACTIVES AND RETIREE RATES** by John Colberg, Cheiron

Colberg presented the Board with the 2011 ASE Actives and Retiree rates with the non Medicare Eligible (NME), blend, 10% to High Deductible (HD) and \$0 Health Advantage rate increase. The committee reviewed the 2009 and 2010 final rate details with an additional month of experience.

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

**HEALTHCARE REFORM UPDATE** by Jason Lee, EBD Executive Director

Lee talked about the grandfathered plan rules. Lee said they have posed questions to the U.S. Department of Health & Human Services (HSS) regarding specific items that impact the plan and are awaiting a response. *Group health plans in existence before health care reform was enacted, are not required to comply with certain plan requirements under health care reform. Grandfathered plans have exemptions from, or special treatment under, certain health care reform provisions.*

Lee said they are also awaiting guidance from HSS on the requirements for W-2 reporting, annual limits and preventative care services.

Alexander informed the committee the federal government has released a new Website managed by the U.S. Department of Health & Human Services called HealthCare.gov.

**PSE SUPPLEMENTAL LIFE ELIGIBILITY** *by Jason Lee*

Lee reported he received the Public School Employee Basic, Supplemental and Dependent Life Insurance renewal rates from USABLE. Lee explained there has not been an increase for this plan in more than five years, but now an increase is warranted. Currently, only public school employees who are enrolled in the health insurance are eligible for supplemental life insurance. The supplemental insurance is employee –paid and the current eligibility criteria dates back to when the life insurance was self-insured. Lee informed the committee a proposal has been offered by USABLE that would eliminate the need for the rate increase.

Lee made the recommendation that the eligibility for public school employee supplemental life insurance be change from “enrolled in” to “eligible for” the group health insurance of the Board.

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

**Meeting adjourned.**

The following pages were made available to attendees of the meeting.

# AGENDA

**State and Public School Life  
And Health Insurance Board  
Benefit Sub-Committee  
EBD Board Room  
501 Building, 5<sup>th</sup> Floor  
9:00 a.m.  
July 9, 2010**

1. **Call to Order** ..... *Jeff Altemus, Chairman*
2. **Approval of Minutes** ..... *Jeff Altemus, Chairman*
3. **Strategic Planning Workgroup Report**..... *George Platt, Deputy Director*
4. **ASE Actives & Retiree 2011 Rates**..... *John Colberg, Cheiron*
5. **Healthcare Reform Update** ..... *Jason Lee, Director*
6. **PSE Supplemental Life Eligibility**..... *Jason Lee, Director*
7. **Director's Report** ..... *Jason Lee, Director*

## **Next Meeting Schedule:**

**August 6<sup>th</sup>**

**September 10<sup>th</sup>**

**October 8<sup>th</sup>**

# Arkansas State Employees Health Benefits Program

## 2011 ASE Active and Retiree Rates



John Colberg, FSA, MAAA

July 9, 2010



# Topics

## Page Number

Selected Option: Blend NME, 10% to HD, \$0 HA rate increase 2

### Appendices

- |    |                              |    |
|----|------------------------------|----|
| A. | 2009-2010 Final Rate Details | 6  |
| B. | Assumptions & Methods        | 8  |
| C. | Gain / (Loss) Analysis       | 11 |



# Selected Option – Blend NME Retirees with 10% Credit to HD PPO and \$0 HA rate Increase

Plan:  
Benefit:  
Experience Period - Service (Incurred) Dates  
Experience Period - Processed (Paid) Dates

	Health Advantage			Novasys (ARHealth)			Novasys (HD PPO)		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	1/09 - 12/09	3/09 - 2/10		1/09 - 12/09	3/09 - 2/10		1/09 - 12/09	3/09 - 2/10	
	1/09 - 5/10	3/09 - 5/10		1/09 - 5/10	3/09 - 5/10		1/09 - 5/10	3/09 - 5/10	
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>
1 Total Incurred Medical & Rx Claims (Experience Period)	\$121,026,385	\$37,758,857	\$158,785,242	\$7,732,122	\$1,364,135	\$9,096,257	\$1,454,692	\$111,053	\$1,565,745
2 Less High Cost Claims Above (Med/Rx)	\$5,265,300	\$2,868,913	\$8,134,213	\$754,438	\$93,501	\$847,938	\$15,320	\$0	\$15,320
3 Net Incurred Claims below Pooling Point [1 - 2]	\$115,761,084	\$34,889,944	\$150,651,029	\$6,977,685	\$1,270,634	\$8,248,319	\$1,439,371	\$111,053	\$1,550,424
4 Person Months for Experience Period	556,399	559,300	557,071	25,117	24,771	25,064	17,061	17,293	17,078
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$208.05	\$62.38	\$270.43	\$277.81	\$51.30	\$329.11	\$84.37	\$6.42	\$90.79
6 Change in Benefits During Experience Period	1.0102	1.0000		1.0105	1.0000		1.0105	1.0000	
7 Change in Demographic or Risk During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
8 Change in Geographic During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
9 a) Annual Trend Rate	5.0%	8.5%		5.0%	8.5%		5.0%	8.5%	
b) Months to Trend	24	22		24	22		24	22	
c) Trend Adjustment	1.1025	1.1613		1.1025	1.1613		1.1025	1.1613	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$231.72	\$72.44	\$304.16	\$309.50	\$59.58	\$369.08	\$93.99	\$7.46	\$101.45
11 Charge for Claims above Pooling Point PPPM	\$9.46	\$5.13	\$14.59	\$30.04	\$3.77	\$33.81	\$0.90	\$0.00	\$0.90
12 Total Claims Charged PPPM [10 + 11]	\$241.18	\$77.57	\$318.75	\$339.54	\$63.35	\$402.89	\$94.89	\$7.46	\$102.35
13 Change in Future Benefits (Level / Management / Discounts)	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
14 Change in Future Demog (Age/Gender/Family Status) or Risk	1.0037	1.0035		1.0272	1.0471		0.9964	1.0342	
15 Change in Future Geographic	0.9984	0.9983		1.0043	1.0043		0.9982	0.9982	
16 Proj. Experience Incurred Claim PPPM [12 x 13 x 14 x 15]	\$241.68	\$77.72	\$319.39	\$350.29	\$66.62	\$416.91	\$94.38	\$7.70	\$102.08
17 Projected Blended Incurred Claim PPPM	not calculated	\$75.73	not calculated	\$259.96	\$75.73	\$335.69	\$212.47	\$56.68	\$269.15
18 Percent to Use Blended Experience	0%	90%	0%	90%	90%		90%	90%	
19 Rating Incurred Claim PPPM [16 x 17 x 18]	\$241.68	\$75.93	\$317.61	\$268.99	\$74.82	\$343.81	\$200.66	\$51.78	\$252.44
20 Projected Persons Months	575,631	575,631	575,631	24,504	24,504	24,504	18,744	18,744	18,744
21 Projected Total Incurred Claims [19 x 20]	\$139,116,626	\$43,709,386	\$182,826,012	\$6,591,311	\$1,833,475	\$8,424,785	\$3,761,258	\$970,537	\$4,731,795
22 Conversion to Rating Tiers [19 x rating tier x counts]	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Ee Months</u>	<u>PEPM</u>	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Ee Months</u>	<u>PEPM</u>	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Ee Months</u>	<u>PEPM</u>
a) Employee Only	1.13	198,796	\$359.09	1.16	9,072	\$399.13	1.13	6,936	\$284.10
b) Employee & Spouse	2.87	48,607	\$912.33	2.88	1,692	\$991.81	2.82	1,524	\$712.24
c) Employee & Child(ren)	1.75	51,620	\$556.69	1.78	2,508	\$610.82	1.73	1,236	\$437.01
d) Family	3.18	38,002	\$1,011.13	3.19	1,452	\$1,097.65	3.12	1,440	\$788.69
23 Rates Balance Confirmation		337,025	\$182,892,408		14,724	\$8,424,785		11,136	\$4,731,795

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

# Selected Option – Blend NME Retirees with 10% Credit to HDPPPO and \$0 HA rate Increase - Actives



## ASE Detailed Financials



CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys PPO & HDPPPO	Yes
If yes, % of PPO in Blend (ASE)	90%
% to Blend Pharmacy (All)	90%
Keep HA Rates Same as 2010	Yes

ALLOCATED RESERVES (in \$millions)				
ASE -- PYE	2010	2011	2012	2013
Actives - 12/31	\$0.00	\$0.00	\$0.00	\$0.00
STATE/EMPLOYER FUNDING				
Calc Contributions	\$390	\$390	\$410	\$443
Base Contributions	\$390	\$390	\$390	\$390
% for Employee	76%	75%	75%	75%
% for Dependent	51%	50%	50%	50%
ASE Budgeted Jobs	34,800	34,800	34,800	34,800

### 2011 vs. 2010

Actives	Medical and Pharmacy Expenses	Corp Health	Total Monthly Premium	State Contributions	Reserve Allocation	2011 EE Total Cost	2010 EE Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment	
<b>Health Advantage</b>											
Employee Only	\$359.09	\$36.47	\$6.00	\$401.56	\$305.78	\$0.00	\$95.78	\$95.78	\$0.00	0%	14,614
Employee & Spouse	912.33	36.47	12.00	960.80	593.06	0.00	367.74	367.74	0.00	0%	3,563
Employee & Child(ren)	556.69	36.47	9.60	602.76	409.12	0.00	193.64	193.64	0.00	0%	4,217
Family	1,011.13	36.47	19.80	1,067.40	647.78	0.00	419.62	419.62	0.00	0%	3,134
Est. Monthly Total (\$mil)	\$14.0	\$0.9	\$0.2	\$15.2	\$10.3	\$0.0	\$4.8	\$4.8	\$0.0		25,528
<b>Novasys</b>											
Employee Only	\$399.13	\$22.84	\$6.00	\$427.97	\$305.78	\$0.00	\$122.19	\$96.36	\$25.83	27%	756
Employee & Spouse	991.81	22.84	12.00	1,026.65	593.06	0.00	433.59	369.18	64.41	17%	141
Employee & Child(ren)	610.82	22.84	9.60	643.26	409.12	0.00	234.14	194.54	39.60	20%	209
Family	1,097.65	22.84	19.80	1,140.29	647.78	0.00	492.50	421.22	71.28	17%	121
Est. Monthly Total (\$mil)	\$0.7	\$0.0	\$0.0	\$0.7	\$0.5	\$0.0	\$0.3	\$0.2	\$0.0		1,227
<b>Novasys HD PPO</b>											
Employee Only	\$284.10	\$22.84	\$6.00	\$312.94	\$305.78	\$0.00	\$7.16	\$20.60	(\$13.44)	-65%	578
Employee & Spouse	712.24	22.84	12.00	747.08	593.06	0.00	154.02	187.34	(33.32)	-18%	127
Employee & Child(ren)	437.01	22.84	9.60	469.45	409.12	0.00	60.33	80.86	(20.53)	-25%	103
Family	788.69	22.84	19.80	831.33	647.78	0.00	183.54	220.42	(36.88)	-17%	120
Est. Monthly Total (\$mil)	\$0.4	\$0.0	\$0.0	\$0.4	\$0.4	\$0.0	\$0.1	\$0.1	(\$0.0)		928
Total (Monthly) (\$ mil)	\$15.1	\$1.0	\$0.3	\$16.3	\$11.2	\$0.0	\$5.2	\$5.1	\$0.0		27,683
Est Annual Total (\$ mil)	\$181.3	\$11.8	\$3.0	\$196.1	\$134.3	\$0.0	\$61.9	\$61.5	\$0.3		





## Selected Option – Blend NME Retirees with 10% Credit to HDPPPO and \$0 HA rate Increase

Plan:  
Benefit:  
Experience Period - Service (Incurred) Dates  
Experience Period - Processed (Paid) Dates

1 Total Incurred Medical & Rx Claims (Experience Period)\*  
 2 Less High Cost Claims Above (Med/Rx)\* **\$100,000** **\$20,000**  
 3 Net Incurred Claims below Pooling Point [1 - 2]  
 4 Person Months for Experience Period  
 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]  
  
 6 Change in Benefits During Experience Period  
 7 Change in Demographic or Risk During Experience Period  
 8 Change in Geographic During Experience Period  
 9 a) Annual Trend Rate  
 b) Months to Trend  
 c) Trend Adjustment  
 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]  
 11 Charge for Claims above Pooling Point PPPM  
 12 Total Claims Charged PPPM [10 + 11]  
  
 13 Change in Future Benefits (Level/Mgt/Discounts)  
 14 Change in Future Demog (Age/Gender/Family) or Risk  
 15 Change in Future Geographic  
 16 Projected Incurred Claim PPPM [12 x13x 14 x15]  
 17 Projected Persons Months  
 18 Projected Total Incurred Claims [16 x 17]

	Non-Medicare			Medicare		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	1/09 - 12/09	3/09 - 2/10		1/09 - 12/09	3/09 - 2/10	
	1/09 - 5/10	3/09 - 5/10		1/09 - 5/10	3/09 - 5/10	
1	\$121,026,385	\$37,758,857	\$158,785,242	\$13,181,472	\$15,702,330	\$28,883,802
2	<u>\$5,265,300</u>	<u>\$2,868,913</u>	<u>\$8,134,213</u>	\$160,601	\$987,433	\$1,148,033
3	<b>\$115,761,084</b>	<b>\$34,889,944</b>	<b>\$150,651,029</b>	<b>\$13,020,871</b>	<b>\$14,714,898</b>	<b>\$27,735,769</b>
4	556,399	559,300	557,071	97,871	98,659	98,289
5	<b>\$208.05</b>	<b>\$62.38</b>	<b>\$270.43</b>	<b>\$133.04</b>	<b>\$149.15</b>	<b>\$282.19</b>
6	1.0102	1.0000		1.0100	1.0000	
7	1.0000	1.0000		1.0000	1.0000	
8	1.0000	1.0000		1.0000	1.0000	
9 a)	5.0%	8.5%		5.0%	8.5%	
9 b)	24	22		24	22	
9 c)	<u>1.1025</u>	<u>1.1613</u>		<u>1.1025</u>	<u>1.1613</u>	
10	<b>\$231.72</b>	<b>\$72.44</b>	<b>\$304.16</b>	<b>\$148.14</b>	<b>\$173.21</b>	<b>\$321.36</b>
11	<u>\$9.46</u>	<u>\$5.13</u>	<u>\$14.59</u>	<u>\$1.64</u>	<u>\$10.01</u>	<u>\$11.65</u>
12	<b>\$241.18</b>	<b>\$77.57</b>	<b>\$318.75</b>	<b>\$149.78</b>	<b>\$183.22</b>	<b>\$333.00</b>
13	1.0000	1.0000		1.0000	1.0000	
14	1.0037	1.0035		0.9976	1.0000	
15	<u>0.9984</u>	<u>0.9983</u>		<u>1.0000</u>	<u>1.0000</u>	
16	<b>\$241.68</b>	<b>\$77.72</b>	<b>\$319.39</b>	<b>\$149.43</b>	<b>\$183.22</b>	<b>\$332.65</b>
17	39,087	39,087	39,087	106,148	106,148	106,148
18	<b>\$9,446,435</b>	<b>\$3,037,750</b>	<b>\$12,484,184</b>	<b>\$15,861,213</b>	<b>\$19,448,513</b>	<b>\$35,309,726</b>

PPPM [16]  
 19 Conversion to Rating Tiers  
 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>Ee Months</u>	<u>PEPM</u>
a)	1.03	\$359.09	-	\$0.00	16,321	<b>\$359.09</b>
b)	2.10	\$912.33	-	\$0.00	5,851	<b>\$912.33</b>
c)	1.67	\$556.69	-	\$0.00	690	<b>\$556.69</b>
d)	3.16	\$1,011.13	-	\$0.00	394	<b>\$1,011.13</b>
e)	1.03	\$359.09	1.01	\$337.26	-	<b>\$696.35</b>
f)	1.67	\$556.69	1.01	\$337.26	-	<b>\$893.94</b>
g)	-	\$0.00	1.00	\$332.33	55,687	<b>\$332.33</b>
h)	1.03	\$359.09	1.01	\$337.26	6,392	<b>\$696.35</b>
i)	0.62	\$197.60	1.00	\$332.33	526	<b>\$529.93</b>
j)	1.67	\$556.69	1.01	\$337.26	326	<b>\$893.94</b>
k)	-	\$0.00	2.00	\$664.67	21,420	<b>\$664.67</b>
l)	0.62	\$197.60	2.00	\$664.67	188	<b>\$862.27</b>
20		<u>\$14,599,244</u>		<u>\$35,309,726</u>		<u>\$49,908,970</u>

\* Pharmacy Cost for Medicare has subtracted the RDS Subsidy.

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



# Selected Option – Blend NME Retirees with 10% Credit to HDPPO and \$0 HA rate Increase - Retirees

CHEIRON		<b>ASE Detailed Financials</b>					<b>H-scan</b>				
<b>CLAIMS &amp; EXPENSES</b>						<b>ALLOCATED RESERVES (in \$millions)</b>					
Blend ASE & PSE Retirees						<b>ASE -- PYE</b>					
Combine NM Ret with Actives						Retiree NME - 12/31					
Blend Novasys PPO & HDPPO						Retiree ME - 12/31					
If yes, % of PPO in Blend (ASE)						<b>STATE/EMPLOYER FUNDING</b>					
% to Blend Pharmacy (All)						% for Ret NME					
Keep NME Rates Same as 2010						% for Ret Dep NME					
Keep ME Rates Same as 2010						% for Ret ME					
2011 vs. 2010						% for Ret Dep ME					
Retirees	Medical and Pharmacy	Expenses	Corp Health	Total Monthly Premium	State Contributions	Reserve Allocation	2011 Ret. Total Cost	2010 Ret. Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
<b>Non-Medicare Eligible</b>											
Retiree Only	\$359.09	\$36.47	\$6.00	\$401.56	\$165.82	\$0.00	\$235.74	\$235.74	\$0.00	0%	1,360
Retiree & NME SP	912.33	36.47	12.00	960.80	384.92	0.00	575.88	575.88	0.00	0%	488
Retiree & Child(ren)	556.69	36.47	9.60	602.76	162.92	0.00	439.84	439.84	0.00	0%	57
Retiree & NME SP&CH	1,011.13	36.47	19.80	1,067.40	150.68	0.00	916.72	916.72	0.00	0%	33
Retiree & ME SP	696.35	36.47	6.00	738.82	337.28	0.00	401.54	401.54	0.00	0%	-
Retiree & ME SP & CH	893.94	36.47	9.60	940.01	333.24	0.00	606.77	606.77	0.00	0%	-
Est. Monthly Total (\$ mil)	\$1.0	\$0.1	\$0.0	\$1.1	\$0.4	\$0.0	\$0.7	\$0.7	\$0.0		1,938
<b>Medicare Eligible</b>											
Retiree Only	\$332.33	\$15.41	Not Offered	\$347.74	\$230.62	\$0.00	\$117.12	\$117.12	\$0.00	0%	4,641
Retiree & NME SP	696.35	15.41	Not Offered	711.76	265.04	0.00	446.72	446.72	0.00	0%	533
Retiree & Child(ren)	529.93	15.41	Not Offered	545.34	230.48	0.00	314.86	314.86	0.00	0%	44
Retiree & NME SP&CH	893.94	15.41	Not Offered	909.35	264.87	0.00	644.48	644.48	0.00	0%	27
Retiree & ME SP	664.67	15.41	Not Offered	680.08	401.59	0.00	278.49	278.49	0.00	0%	1,785
Retiree & ME SP & CH	862.27	15.41	Not Offered	877.68	401.44	0.00	476.24	476.24	0.00	0%	16
Est. Monthly Total (\$ mil)	\$3.2	\$0.1	\$0.0	\$3.3	\$2.0	\$0.0	\$1.3	\$1.3	\$0.0		7,045
Total (Est. Monthly)	\$4.2	\$0.2	\$0.0	\$4.4	\$2.4	\$0.0	\$2.0	\$2.0	\$0.0		8,983
Total (Est. Annual)	\$49.9	\$2.2	\$0.2	\$52.2	\$28.6	\$0.0	\$23.7	\$23.7	\$0.0		



# Appendix A – 2009-2010 Final Rate Details

Actives	Medical	Pharmacy	Corp Health	Total Monthly Premium	State Contributions	Reserve Allocation	2010 Total Cost	2009 Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
<b>Health Advantage</b>											
Employee Only	\$308.86	\$79.31	\$6.00	\$394.17	\$298.39	\$0.00	\$95.78	\$105.04	(\$9.26)	-9%	14,076
Employee & Spouse	741.22	190.34	12.00	943.56	575.82	0.00	367.74	392.44	(24.70)	-6%	3,682
Employee & Child(ren)	463.29	118.96	9.60	591.85	398.21	0.00	193.64	204.50	(10.86)	-5%	3,865
Family	818.44	210.17	19.80	1,048.41	628.79	0.00	419.62	443.70	(24.08)	-5%	3,026
Est. Monthly Total (\$mil)	\$11.3	\$2.9	\$0.2	\$14.5	\$9.8	\$0.0	\$4.7	\$5.1	(\$0.3)		24,649
<b>Novasys</b>											
Employee Only	\$309.45	\$79.31	\$6.00	\$394.76	\$298.40	\$0.00	\$96.36	\$135.52	(\$39.16)	-29%	860
Employee & Spouse	742.67	190.34	12.00	945.01	575.83	0.00	369.18	465.61	(96.43)	-21%	142
Employee & Child(ren)	464.19	118.96	9.60	592.75	398.21	0.00	194.54	250.21	(55.67)	-22%	213
Family	820.03	210.17	19.80	1,050.00	628.78	0.00	421.22	524.47	(103.25)	-20%	116
Est. Monthly Total (\$mil)	\$0.6	\$0.1	\$0.0	\$0.7	\$0.5	\$0.0	\$0.2	\$0.3	(\$0.1)		1,331
<b>Novasys HD PPO</b>											
Employee Only	\$258.40	\$54.59	\$6.00	\$318.99	\$298.39	\$0.00	\$20.60	\$35.18	(\$14.58)	-41%	515
Employee & Spouse	620.15	131.01	12.00	763.16	575.82	0.00	187.34	224.81	(37.47)	-17%	96
Employee & Child(ren)	387.60	81.88	9.60	479.08	398.22	0.00	80.86	99.71	(18.85)	-19%	97
Family	684.74	144.66	19.80	849.20	628.78	0.00	220.42	258.60	(38.18)	-15%	109
Est. Monthly Total (\$mil)	\$0.3	\$0.1	\$0.0	\$0.4	\$0.3	\$0.0	\$0.1	\$0.1	(\$0.0)		817
<b>Total (Monthly) (\$ mil)</b>	<b>\$12.2</b>	<b>\$3.1</b>	<b>\$0.2</b>	<b>\$15.6</b>	<b>\$10.6</b>	<b>\$0.0</b>	<b>\$5.0</b>	<b>\$5.4</b>	<b>(\$0.4)</b>		<b>26,797</b>
<b>Est Annual Total (\$ mil)</b>	<b>\$146.6</b>	<b>\$37.5</b>	<b>\$2.9</b>	<b>\$187.0</b>	<b>\$126.9</b>	<b>\$0.0</b>	<b>\$60.1</b>	<b>\$65.2</b>	<b>(\$5.1)</b>		



# Appendix A – 2009-2010 Final Rate Details

Retirees	Medical	Pharmacy	Corp Health	Total Monthly Premium	State Contributions	Reserve Allocation	2010 Total Cost	2009 Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
<b>Non-Medicare Eligible</b>											
Retiree Only	\$534.07	\$149.00	\$4.20	\$687.27	\$451.53	\$0.00	\$235.74	\$262.40	(\$26.66)	-10%	1,270
Retiree & NME SP	1,068.14	297.99	8.30	1,374.43	798.55	0.00	575.88	590.33	(14.45)	-2%	458
Retiree & Child(ren)	854.52	238.39	6.70	1,099.61	659.77	0.00	439.84	459.18	(19.34)	-4%	57
Retiree & NME SP&CH	1,602.23	446.98	13.80	2,063.01	1,146.29	0.00	916.72	918.97	(2.25)	0%	44
Retiree & ME SP	678.00	335.91	8.30	1,022.21	620.67	0.00	401.54	428.57	(27.03)	-6%	-
Retiree & ME SP & CH	997.75	425.30	13.80	1,436.85	830.08	0.00	606.77	626.47	(19.70)	-3%	-
Est. Monthly Total (\$ mil)	\$1.3	\$0.4	\$0.0	\$1.7	\$1.0	\$0.0	\$0.6	\$0.7	(\$0.0)		1,829
<b>Medicare Eligible</b>											
Retiree Only	\$154.51	\$186.91	Not Offered	\$341.42	\$224.30	\$0.00	\$117.12	\$135.18	(\$18.06)	-13%	4,233
Retiree & NME SP	671.37	335.91	Not Offered	1,007.28	560.56	0.00	446.72	451.63	(4.91)	-1%	-
Retiree & Child(ren)	464.63	276.30	Not Offered	740.93	426.07	0.00	314.86	325.06	(10.20)	-3%	37
Retiree & NME SP&CH	981.49	425.30	Not Offered	1,406.79	762.31	0.00	644.48	641.51	2.97	0%	-
Retiree & ME SP	293.62	373.82	Not Offered	667.44	388.95	0.00	278.49	296.66	(18.17)	-6%	2,156
Retiree & ME SP & CH	603.73	463.21	Not Offered	1,066.94	590.70	0.00	476.24	486.53	(10.29)	-2%	39
Est. Monthly Total (\$ mil)	\$1.3	\$1.6	\$0.0	\$3.0	\$1.8	\$0.0	\$1.1	\$1.2	(\$0.1)		6,465
Total (Est. Monthly)	\$2.6	\$2.0	\$0.0	\$4.6	\$2.9	\$0.0	\$1.8	\$1.9	(\$0.2)		8,294
Total (Est. Annual)	\$31.4	\$23.8	\$0.1	\$55.3	\$34.2	\$0.0	\$21.1	\$23.0	(\$1.9)		



# Appendix B

## Assumptions & Methods

### Total Rate Projection Methodology:

The H-Scan model methodology includes several options when projecting rates. First, choose a period for the per person per month (PPPM) experience period. These claims are trended to the projection period, starting from 1/1/2011 for ASE Actives and Retirees, using the trend factors below (or those input by the user of H-scan). Next, decide which groups to combine for rating. This includes the options of whether or not to blend ASE and PSE, Actives and Non-Medicare Eligible (NME) Retirees, and NovaSys and NovaSys HD. Once the rating groups are set, decide on the appropriate tiering factors, primarily deciding whether or not to use the current tiering factors. The resulting rates will reflect the decisions displayed in the Rating Options. For expenses, we relied on actual negotiated vendor fees plus estimated EBD expenses.

### Total Rate Projection Assumptions:

**Population Projection:** Same as Enrollment during May 2010

**Investment return\*:** 0%

Annual Trend*:	Health Advantage	NovaSys	HD PPO	ARHealth Retirees	Behavioral Health	Pharmacy	Life	Expenses
Non-Medicare:	5.00%	5.00%	5.00%	Use either Medicare or Non-Medicare Factors	0.00%	8.50%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%		0.00%	8.50%	0.00%	0.00%

\* Unless otherwise shown in the screen capture. Please see additional analyses on following page.

**Historical Benefit Adjustment Factors applied to the PPPM cost for 2011 benefits. These factors were developed by the prior actuary.**

ASE Non-Medicare 2008:	0.9780	0.9780	0.9193	Use either Medicare or Non-Medicare Factors	1.000	1.000	1.000
PSE Non-Medicare 2008:	0.9776	0.9776	0.9168		1.000	1.000	1.000
ASE/PSE Non-Medicare 2009:	1.0105	1.0105	1.0105	Use either Medicare or Non-Medicare Factors	1.000	1.000	1.000
ASE / PSE Medicare 2008:	1.065	N/A	N/A		1.000	1.000	1.000
ASE / PSE Medicare 2009:	1.065	N/A	N/A		1.000	1.000	1.000

Benefit Ratio:	Health Advantage or NovaSys	HA or NovaSys Pharmacy	HD PPO	HD PPO Pharmacy	Medicare *	Medicare Pharmacy
ASE	0.8271	0.6860	0.6779	0.5154		0.1457

\* reflects Medicare Parts A and B.

Expenses:	Actives	Actives	Retirees	Retirees	Actives only	Actives Blended with
Per Subscriber Per Month	Health Advantage	NovaSys	Non-Medicare	Medicare	EBD*	NME - EBD*
ASE Actual 2009	\$26.09	\$13.92	\$20.14	\$14.96	\$14.88	\$14.88
ASE Actual 2010	\$27.13	\$13.90	\$20.74	\$15.41	\$8.34	\$8.34
ASE Trended 2011	\$27.53	\$13.90	\$20.74	\$15.41	\$8.34	\$7.80

\* Assumed to include UAM expenses (both Rx and Medical), EAP, weight management, smoking cessation, and Integral cost.

**Rx Rebates:** The assumed Rx Rebates for ASE are 1.2%. The actual Rx Rebates based on the 2009 plan year are also 1.2%.

**Part D Subsidy:** The Part D Subsidy is assumed to be approximately 14.9% of Incurred Rx Claims

**Seasonality:** We have not used seasonality factors, instead we are requiring that the base and projected period be for an annual period.

### Used for Incurred Claims Development:

**Method:** We calculated the Paid-to-Date claims by network provider and major rate structure (Actives, Non-Medicare retirees v. Medicare retirees) by using the claims triangles for Health Advantage and the individual claims and eligibility databases for NovaSys and InformedRx. To determine the relationship and family tiers, we link each claim to the eligibility database. Also, we use the Plan ID in the eligibility data for each month to determine whether a member should be considered as part of the Active, Non-Medicare Retiree or Medicare Retiree Plan. Finally, we applied the below completion factors to the Paid-to-Date claims to calculate the Incurred claims.



# Appendix B

## Assumptions & Methods (continued)

### Paid-to-Date Claims:

Health Advantage: Service dates from January 1, 2009 to December 31, 2009 and process dates from January 1, 2009 to May 31, 2010.  
 NovaSys: Service dates from January 1, 2009 to December 31, 2009 and process dates from January 1, 2009 to May 31, 2010.  
 Pharmacy: Service dates from March 1, 2009 to February 28, 2010 and process dates from March 1, 2009 to May 31, 2010.

### Completion Factors:

Health Advantage: We used the data from lag reports with service dates from January 1, 2008 to May 31, 2010 and process dates from January 1, 2008 to May 31, 2010 to develop the completion factors.  
 NovaSys: We used the individual claims database with service dates from January 1, 2008 to May 31, 2010 and process dates from January 1, 2008 to May 31, 2010 to develop the completion factors. We aggregate the data by network provider and major rate structure (Actives, Non-Medicare retirees v. Medicare retirees)  
 Pharmacy: We used the individual claims database with service dates from January 1, 2008 to May 31, 2010 and process dates from January 1, 2008 to March 31, 2010 to develop the completion factors. We aggregated the data by network provider and major rate structure (Actives, Non-Medicare retirees v. Medicare retirees)

ASE	Health Advantage	NovaSys	HD PPO	Pharmacy	ARHealth Non-Medicare Retirees	Pharmacy Non-Medicare Retirees	ARHealth Medicare Retirees	Pharmacy Medicare Retirees
January-09	0.998	0.998	1.000	1.000	0.999	1.000	0.987	1.000
February-09	0.998	0.998	1.000	1.000	0.999	1.000	0.987	1.000
March-09	0.998	0.997	1.000	1.000	0.999	1.000	0.985	1.000
April-09	0.997	0.997	0.999	1.000	0.999	1.000	0.986	1.000
May-09	0.997	0.996	0.998	1.000	0.998	1.000	0.984	1.000
June-09	0.996	0.995	0.996	1.000	0.998	1.000	0.983	1.000
July-09	0.995	0.994	0.995	1.000	0.997	1.000	0.982	1.000
August-09	0.995	0.991	0.993	1.000	0.996	1.000	0.980	1.000
September-09	0.993	0.989	0.993	1.000	0.996	1.000	0.978	1.000
October-09	0.992	0.986	0.983	1.000	0.993	0.999	0.976	1.000
November-09	0.990	0.981	0.976	1.000	0.991	0.999	0.971	0.999
December-09	0.983	0.976	0.964	1.000	0.987	0.999	0.962	0.999
January-10	0.972	0.965	0.954	1.000	0.983	0.999	0.953	0.999
February-10	0.946	0.944	0.933	0.999	0.959	0.999	0.931	0.999

Note that Life and Behavioral health are insured. Therefore, no completion factors are needed. Actual premium was used and trended.

### Rating Tier Methodology:

To develop the rates by family status, we take the prior approved rating tier factors and multiply them by a factor to adjust for the current enrollment selection for each of the major groupings: Active - Health Advantage, Actives: NovaSys, Actives - HD PPO, Non-Medicare Retirees, and Medicare Retirees. We further adjusted the mixed split with a Medicare and Non-Medicare covered adult to be the same.

### Allocation of Rate Methodology:

Once the total rates are developed, we split the contributions to cover the rates first by removing the costs that have already been legislated to be covered from reserves. We then allow the user to select the methodology for allocating the remainder of the rates. The total actual cost may be somewhat impacted by the desired allocation as participant selection of Plan option and coverage could be impacted.

### Rate Allocation Assumptions:

	Actives	Retirees
Previously adopted reserves allocations:		
ASE 2010:	\$0.00	\$0.00
ASE 2011:	\$0.00	\$0.00
ASE 2012:	\$0.00	\$0.00

### ASE

State Contribution per Budget Position per Month:	\$390
Interest Income:	\$0

\* Unless otherwise shown in the screen capture.



# Appendix B

## Assumptions & Methods (continued)

Annual Trend*:	<u>Health Advantage</u>			<u>ARHealth Retirees</u>	<u>Behavioral</u>			
	<u>NovaSys</u>	<u>HD PPO</u>			<u>Health</u>	<u>Pharmacy</u>	<u>Life</u>	<u>Expenses</u>
Non-Medicare:	5.00%	5.00%	5.00%	Use either Medicare or Non-Medicare Factors	0.00%	8.50%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%		0.00%	8.50%	0.00%	0.00%
Large Claims:	0.00%	0.00%	0.00%		0.00%			

\* Unless otherwise shown in the screen capture. Below we show the development of the trend assumptions.

### Underlying Incurred Claim Trends Adjusted for Demographic and Geographic Changes

Medical Incurred Active Plan Cost CY09 v. CY08: (with retirees the trend rate is even lower)	1.27%
Rx Incurred All Plan Cost CY09 v. CY08:	1.17%

### Reasons Trends so Low:

Medical Network Providers (Health Advantage and NovaSys) have been able to keep contractual rates flat.  
 Savings on Medical by using Specialty Drugs via the Ascend Specialty Drug Program  
 Saving on Pharmacy by implementing programs promoting cost effective drug use  
 Effective Large Claim Management

### Reasons to Keep Trends Low:

2010 Contract for Health Advantage have no rate increase - per phone call  
 2010 Contract for NovaSys should be more favorable -- they are doing additional analysis  
 Believe the generic utilization will improve another 1.3%  
 Believe that more options still exist to promote cost effective use of specialty and brand drugs  
 Believe that more options still exist to have no trend on large claims





# Appendix C - Gain / Loss

## Reconciliation of CY 2009 ASE Net Income/(Loss)

- From the December 2009 Financial Report (Year-to-date)

	<u>\$ in Millions</u>
Net Income/(Loss)	\$ 24.0
Reserves Allocated	7.9
Net Income/(Loss) After Reserves	<b>\$ 31.9</b>

- Where did the \$31.9 million come from?

### Items that are not assumed to repeat

Active Enrollment Lower than Projected	\$ -
Net Income/(Loss) from Retirees	\$ 2.3
Investment Income	\$ 0.8
Other Income incl Penalties & FICA savings	\$ 3.5
Other Unanticipated Items	\$ 1.9
<b>TOTAL</b>	<b>\$ 8.5</b>

### Items that have already been reflected in 2009-10 rates

Net Income from Lifestyle Assessment	\$ 1.4
<b>TOTAL</b>	<b>\$ 1.4</b>

### Items that will affect 2011 rates

Medical experience better than projected	\$ 14.1
Pharmacy experience better than projected	\$ 8.5
Behavioral Health premiums above projected	\$ (0.7)
<b>TOTAL</b>	<b>\$ 21.9</b>

*Percent of 2009 expenses* **9.8%**

**GRAND TOTAL** **\$ 31.9**