

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
June 4, 2010**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Friday, June 4, 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

Members Absent

Gwen Wiggins

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

Others Present:

Karen Mallet, Cheiron, George Platt, Leigh Ann Chrouch, Michelle Hazelette, Amy Tustison, Stella Greene, Marla Wallace, Lori Eden, Florence Marvin, Donna Cook, Sherry Bryant, Paige Harrington, Kathy Johnson, Amy Redd, Tracy Collins, Cathy Harris, Sherry Saxby, EBD; Barbara Melugin, Kathy Ryan, 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, NovaSys; Mona Neal, Public Service Commission; Diann Shoptaw, EBI; Peggy Nabors, AEA; Marc Watts, ASEA

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 May 7, 2010 minutes. McCook made the motion to approve. Harrison seconded. All were in favor. Minutes approved.

STRATEGIC OVERVIEW FOR 2012 AND BEYOND by Jason Lee, EBD
Director

Lee informed the committee he will provide an overview of the 2012 and beyond plan years at the Board meeting on June 8th. The overview will include recommendations and suggestions for the structure of the health plan and contracting services.

Lee explained the key issue he will present to the Board is to have three separate and distinct plan types, like the high deductible plan. Lee said there are four separate and distinct types of plans in Healthcare Reform Bill; the bronze, silver, gold and platinum, and each of these plan types have a loose interpretation for the amount of benefit the actuary will value to them. Lee said he will suggest to the Board they use the law as a guide and structure three separate plans by three separate vendors; a gold, silver and bronze plan. Secondly, that the contract for 2010 and beyond be structured so that no one health network vendor can offer more than one product. Lee said this will eliminate the problem they have seen in last couple of years where one group is subsidizing another group within the confines of the same network. Lee said it will also help them to achieve better calculations and be able to define the medical loss ratio at the plan level or the benefit level.

McCook commented it is possible to get the best deal if one vendor administers more than one plan option. McCook talked about purchasing requirements.

Walker explained that from a purchasing standpoint they may not be able to control how many plans one vendor can offer unless it is put in the Request for Proposal (RFP). Walker said it may cost them more money if one vendor only administers one plan option because one vendor might be able to offer the lowest cost plan options.

Lee said they would definitely have to take a step away from underwriting on a carrier level and underwrite on a pure plan level and let each plan stand on it's on if a single network plan offers more than one product; otherwise they will repeat the traditional and HD PPO blending. Lee clarified he would suggest to the Board that they have one vendor for one plan type; three network plan options and three plan styles; and each will have a different plan option assigned to them. Lee said the plan options might be available to the early retirees, if it is the discretion of the Board to do so.

Lee said he will also suggest to the Board that they connect the smoking cessation program for the 2012 plan year with the Department of Health, or incorporated a component of the health plan with them. Lee said they cannot achieve this sooner because they have some programs and file differences to work out with the Department of Health.

ASE ACTIVES AND RETIREE 2011 PRELIMINARY RATES *by Karen Mallett*

Mallett presented the 2011 preliminary ASE Active and Retiree Rates. The committee reviewed options for:

- Baseline with 90% Credit to HDPPO
- Blend NME with 90% Credit to HDPPO
- Blend NME, 90% to HD, \$0 HA rate increase

McCook made the motion to recommend to the Board option #3 (Multi-year Blend Non-Medicare Retirees with 90% Credit to HDPPO and \$0 HA rate Increase). Black seconded.

A discussion ensued. All were in favor of the motion. Motion carried.

Lee clarified that the ASE Active and Retiree rates will be updated with one additional month of experience, but the methodology will not change.

PSE PLAN YEAR COMMENTS *by Jason Lee*

Lee talked about the health plan reporting requirements addressed in the Healthcare Reform Bill. Lee said the PSE plan year is not actionable for reporting purposes because the plan is split among two years (PSE 2010-2011). The directive from the Board was that they poll the school districts to see how they feel about changing the PSE plan year. Lee said EBD's Communication Manager has visited with half of the school districts, and they are supportive of changing to a more consistent calendar plan year; but there are some differences as to how they view the open enrollment period. Lee said the district representatives are not supportive of extending the current plan year for another 3 months because of the way they view October as their standard open enrollment period; however, there seem to be a lot of support for having the next plan year end on December 31, 2011.

McCook said he is happy EBD is out there talking with the school district and gathering input from them because they have always tried to work with the schools.

McCook made the motion that the next PSE plan year end December 31, 2011, and to encourage the staff to be flexible with the school districts during the enrollment period. Harrison seconded.

A discussion ensued. All were in favor of the motion. Motion carried.

DIRECTOR'S REPORT by *Jason Lee*

Lee reported the Early Retiree Reinsurance Program took a big step yesterday. The plan sponsor application and instructions are now available but the program is not currently accepting any applications. Lee explained the Early Retiree Reinsurance Program is a \$5 billion dollar fund established to assist health plan with early Non-Medicare Retirees. Lee said they have begun to review the application and they will be pursuing every dollar that is available to plan.

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, 5th Floor
9:00 a.m.
June 4, 2010**

1. **Call to Order** *Jeff Altemus, Chairman*
2. **Approval of Minutes** *Jeff Altemus, Chairman*
3. **Strategic Overview for 2012 and Beyond** *Jason Lee*
4. **ASE Actives & Retiree 2011 Preliminary Rates**..... *CHEIRON*
5. **PSE Plan Year Comments** *Jason Lee*
6. **Director's Report**..... *Jason Lee*

**Next Meeting
July 9th**

Arkansas State Active Employees Health Benefits Program

Preliminary 2011 ASE Active and Retiree Rates



Karen Mallett, FSA

June 4, 2010



Topics

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Option 1 – Baseline with 90% credibility given the HD PPO experience

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 - 2/10	2/09 - 2/10		1/09 - 2/10	2/09 - 2/10		1/09 - 2/10	2/09 - 2/10	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$107,326,320	\$33,460,173	\$140,786,492	\$7,739,767	\$1,358,945	\$9,098,712	\$1,459,364	\$110,314	\$1,569,678
2 Less High Cost Claims Above (Med/Rx)	\$100,000	\$20,000		\$3,659,666	\$2,546,048	\$6,205,714	\$745,126	\$93,501	\$838,627
3 Net Incurred Claims below Pooling Point [1 - 2]	\$103,666,653	\$30,914,125	\$134,580,778	\$6,994,640	\$1,265,445	\$8,260,085	\$1,445,177	\$110,314	\$1,555,491
4 Person Months for Experience Period	518,547	521,453	519,215	25,117	24,770	25,064	17,013	17,248	17,030
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$199.92	\$59.28	\$259.20	\$278.48	\$51.09	\$329.57	\$84.95	\$6.40	\$91.35
6 Change in Benefits During Experience Period	1.0102	1.0088		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]	\$222.65	\$69.45	\$292.10	\$310.25	\$59.33	\$369.58	\$94.64	\$7.43	\$102.07
11 Charge for Claims above Pooling Point PPPM	\$7.06	\$4.88	\$11.94	\$29.67	\$3.77	\$33.44	\$0.83	\$0.00	\$0.83
12 Total Claims Charged PPPM [9 + 10]	\$229.71	\$74.33	\$304.04	\$339.91	\$63.11	\$403.02	\$95.47	\$7.43	\$102.91
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	1.0104	1.0097		1.0865	1.1161		1.0123	1.0156	
15 Change in Future Geographic	0.9986	0.9986		1.0043	1.0043		0.9982	0.9982	
16 Proj. Experience Incurred Claim PPPM [12 x 13 x 14 x 15]	\$231.78	\$74.95	\$306.72	\$370.90	\$70.74	\$441.64	\$96.47	\$7.53	\$104.01
17 Projected Blended Incurred Claim PPPM	not calculated	\$73.24	not calculated	\$275.52	\$73.24	\$348.76	\$225.20	\$54.81	\$280.01
18 Percent to Use Blended Experience	0%	90%	0%	90%	90%		90%	90%	
19 Rating Incurred Claim PPPM [16 x 17 x 18]	\$231.78	\$73.41	\$305.19	\$285.06	\$72.99	\$358.05	\$212.32	\$50.08	\$262.41
20 Projected Persons Months	533,832	533,832	533,832	24,276	24,276	24,276	17,988	17,988	17,988
21 Projected Total Incurred Claims [19 x 20]	\$123,730,082	\$39,188,357	\$162,918,440	\$6,920,123	\$1,771,868	\$8,691,991	\$3,819,286	\$900,864	\$4,720,150
22 Conversion to Rating Tiers [19 x rating tier x counts]									
	x tier	Projected		x tier	Projected		x tier	Projected	
	factor	Ee Months	PEPM	factor	Ee Months	PEPM	factor	Ee Months	PEPM
a) Employee Only	1.14	176,796	\$347.39	1.16	9,240	\$414.36	1.11	6,924	\$292.34
b) Employee & Spouse	2.89	43,848	\$882.60	2.88	1,656	\$1,029.64	2.79	1,476	\$732.91
c) Employee & Child(ren)	1.76	49,260	\$538.55	1.77	2,436	\$634.12	1.71	1,164	\$449.69
d) Family	3.21	37,080	\$978.19	3.18	1,416	\$1,139.51	3.09	1,344	\$811.58
23 Rates Balance Confirmation		306,984	\$162,918,440		14,748	\$8,691,991		10,908	\$4,720,150

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

Option 1 – Baseline with 90% credibility given the HD PPO experience

Plan:

Benefit:

Experience Period - Service (Incurred) Dates

Experience Period - Processed (Paid) Dates

	Non-Medicare			Medicare			
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	
1/09 - 12/09	1/09 - 2/10	3/09 - 2/10	2/09 - 2/10	1/09 - 12/09	3/09 - 2/10	1/09 - 2/10	2/09 - 2/10
1 Total Incurred Medical & Rx Claims (Experience Period)*	\$13,484,657	\$4,302,278	\$17,786,935	\$13,186,316	\$15,678,972	\$28,865,288	
2 Less High Cost Claims Above (Med/Rx)*	\$100,000	\$20,000	\$120,000	\$160,285	\$987,261	\$1,147,545	
3 Net Incurred Claims below Pooling Point [1 - 2]	\$12,525,694	\$3,979,659	\$16,505,353	\$13,026,032	\$14,691,711	\$27,717,743	
4 Person Months for Experience Period	37,810	37,807	37,809	97,883	98,670	98,300	
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$331.28	\$105.26	\$436.54	\$133.08	\$148.90	\$281.98	
6 Change in Benefits During Experience Period	1.0105	1.0000		1.0100	1.0000		
7 Change in Demographic or Risk During Experience Period	1.0000	1.0000		1.0000	1.0000		
8 Change in Geographic During Experience Period	1.0000	1.0000		1.0000	1.0000		
9 a) Annual Trend Rate	5.0%	8.5%		5.0%	8.5%		
b) Months to Trend	24	22		24	22		
c) Trend Adjustment	1.1025	1.1613		1.1025	1.1613		
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$369.07	\$122.24	\$491.31	\$148.19	\$172.92	\$321.11	
11 Charge for Claims above Pooling Point PPPM	\$25.36	\$8.53	\$33.90	\$1.64	\$10.01	\$11.64	
12 Total Claims Charged PPPM [9 + 10]	\$394.43	\$130.77	\$525.21	\$149.83	\$182.93	\$332.75	
13 Change in Future Benefits (Level/Mgt/Discounts)	1.0000	1.0000		1.0000	1.0000		
14 Change in Future Demog (Age/Gender/Family) or Risk	1.0166	1.0204		0.9661	1.0000		
15 Change in Future Geographic	0.9963	0.9963		1.0000	1.0000		
16 Projected Incurred Claim PPPM [12 x13x 14 x15]	\$399.53	\$132.96	\$532.49	\$144.74	\$182.93	\$327.67	
17 Projected Persons Months	38,945	38,945	38,945	105,801	105,801	105,801	
18 Projected Total Incurred Claims [16 x 17]	\$15,559,708	\$5,178,045	\$20,737,752	\$15,313,608	\$19,353,927	\$34,667,535	

19 Conversion to Rating Tiers	PPPM [16]		x Medicare tier factor	Medicare PEPM	Projected Ee Months	TOTAL PEPM
	x Non-Med. tier factor	Non-Med. PEPM				
a) NME Retiree	1.03	\$548.83	-	\$0.00	16,212	\$548.83
b) NME Retiree & NME Spouse	2.09	\$1,114.84	-	\$0.00	5,864	\$1,114.84
c) NME Retiree & Child(ren)	1.67	\$888.44	-	\$0.00	653	\$888.44
d) NME Retiree & NME Spouse & Child(ren)	3.16	\$1,680.86	-	\$0.00	394	\$1,680.86
e) NME Retiree & ME Spouse	1.03	\$548.83	1.01	\$332.20	12	\$881.03
f) NME Retiree & ME Spouse & Child(ren)	1.67	\$887.86	1.01	\$332.20	-	\$1,220.06
g) ME Retiree	-	\$0.00	1.00	\$327.35	55,433	\$327.35
h) ME Retiree & NME Spouse	1.03	\$548.83	1.01	\$332.20	6,406	\$881.03
i) ME Retiree & Child(ren)	0.62	\$339.61	1.00	\$327.35	501	\$666.96
j) ME Retiree & NME Spouse & Child(ren)	1.67	\$887.86	1.01	\$332.20	351	\$1,220.06
k) ME Retiree & ME Spouse	-	\$0.00	2.00	\$654.72	21,386	\$654.72
l) ME Retiree & ME Spouse & Child(ren)	0.62	\$339.61	2.00	\$654.72	163	\$994.33
20 Rates Balance Confirmation		\$20,737,752		\$34,667,535		\$55,405,287

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

Option 1 – Baseline with 90% Credit to HDPPO - Actives



ASE Detailed Financials



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

ALLOCATED RESERVES (in \$millions)				
ASE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$0.00	\$0.00	\$0.00	\$0.00
STATE/EMPLOYER FUNDING				
Calc Contr.	\$390	\$383	\$406	\$439
Base Contr.	\$390	\$390	\$390	\$390
% for Ee	76%	75%	75%	75%
% for Dep	51%	50%	50%	50%
ASE Budget Pos.	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 Total Cost	2010 Total Cost	Change in Premiums (%)	Assumed Enrollment	
Health Advantage											
Employee Only	\$347.39	\$37.02	\$6.00	\$390.41	\$292.89	\$0.00	\$97.52	\$95.78	\$1.74	2%	14,733
Employee & Spouse	882.60	37.02	12.00	931.62	563.42	0.00	368.20	367.74	0.46	0%	3,654
Employee & Child(ren)	538.55	37.02	9.60	585.17	390.56	0.00	194.61	193.64	0.97	1%	4,105
Family	978.19	37.02	19.80	1,035.01	614.99	0.00	420.02	419.62	0.40	0%	3,090
Est. Monthly Total (\$mil)	\$13.6	\$0.9	\$0.2	\$14.8	\$9.9	\$0.0	\$4.9	\$4.8	\$0.0		25,582
Novasys											
Employee Only	\$414.36	\$23.39	\$6.00	\$443.75	\$292.89	\$0.00	\$150.85	\$96.36	\$54.49	57%	770
Employee & Spouse	1,029.64	23.39	12.00	1,065.03	563.42	0.00	501.60	369.18	132.42	36%	138
Employee & Child(ren)	634.12	23.39	9.60	667.11	390.56	0.00	276.55	194.54	82.01	42%	203
Family	1,139.51	23.39	19.80	1,182.70	614.99	0.00	567.71	421.22	146.49	35%	118
Est. Monthly Total (\$mil)	\$0.7	\$0.0	\$0.0	\$0.8	\$0.5	\$0.0	\$0.3	\$0.2	\$0.1		1,229
Novasys HD PPO											
Employee Only	\$292.34	\$23.39	\$6.00	\$321.73	\$292.89	\$0.00	\$28.84	\$20.60	\$8.24	40%	577
Employee & Spouse	732.91	23.39	12.00	768.30	563.42	0.00	204.88	187.34	17.54	9%	123
Employee & Child(ren)	449.69	23.39	9.60	482.68	390.56	0.00	92.12	80.86	11.26	14%	97
Family	811.58	23.39	19.80	854.77	614.99	0.00	239.78	220.42	19.36	9%	112
Est. Monthly Total (\$mil)	\$0.4	\$0.0	\$0.0	\$0.4	\$0.3	\$0.0	\$0.1	\$0.1	\$0.0		909
Total (Monthly) (\$ mil)	\$14.7	\$1.0	\$0.3	\$15.9	\$10.7	\$0.0	\$5.3	\$5.1	\$0.1		27,720
Est Annual Total (\$ mil)	\$176.3	\$12.0	\$3.0	\$191.3	\$128.1	\$0.0	\$63.2	\$61.5	\$1.6		

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

Option 1 – Baseline with 90% Credit to HDPPO - Retirees

ASE Detailed Financials

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	No
Blend Novasys & HDPPO	Yes
If yes, % to Blend (ASE)	90%
% to Blend Pharmacy (All)	90%

ALLOCATED RESERVES (in \$millions)				
ASE -- PYE	2010	2011	2012	2013
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$0.00	\$0.00	\$0.00	\$0.00

Keep NME Rates Same as 2010	No
Keep ME Rates Same as 2010	No

STATE/EMPLOYER FUNDING				
% for Ret NME	66%	60%	60%	60%
% for RetDep NME	51%	40%	40%	40%
% for Ret ME	66%	60%	60%	60%
% for RetDep ME	51%	40%	40%	40%

2011 vs. 2010

Retirees	Medical and Pharmacy	Expenses	Corp Health	Total Monthly Premium	State Contributions	Reserve Allocation	2011 Total Cost	2010 Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Non-Medicare Eligible											
Retiree Only	\$548.83	\$28.68	\$4.20	\$581.71	\$349.03	\$0.00	\$232.68	\$235.74	(\$3.06)	-1%	1,351
Retiree & NME SP	1,114.84	28.68	8.30	1,151.82	577.07	0.00	574.75	575.88	(1.13)	0%	489
Retiree & Child(ren)	888.44	28.68	6.70	923.82	485.87	0.00	437.95	439.84	(1.89)	0%	54
Retiree & NME SP&CH	1,680.86	28.68	13.80	1,723.34	805.68	0.00	917.66	916.72	0.94	0%	33
Retiree & ME SP	881.03	28.68	8.30	918.01	483.55	0.00	434.47	401.54	32.93	8%	1
Retiree & ME SP & CH	1,220.06	28.68	13.80	1,262.54	621.36	0.00	641.18	606.77	34.41	6%	-
Est. Monthly Total (\$ mil)	\$1.4	\$0.1	\$0.0	\$1.5	\$0.8	\$0.0	\$0.6	\$0.7	(\$0.0)		1,928
Medicare Eligible											
Retiree Only	\$327.35	\$15.41	Not Offered	\$342.76	\$205.66	\$0.00	\$137.11	\$117.12	\$19.99	17%	4,619
Retiree & NME SP	881.03	15.41	Not Offered	896.44	483.55	0.00	412.90	446.72	(33.82)	-8%	534
Retiree & Child(ren)	666.96	15.41	Not Offered	682.37	341.50	0.00	340.87	314.86	26.01	8%	42
Retiree & NME SP&CH	1,220.06	15.41	Not Offered	1,235.47	621.36	0.00	614.11	644.48	(30.37)	-5%	29
Retiree & ME SP	654.72	15.41	Not Offered	670.13	336.60	0.00	333.52	278.49	55.03	20%	1,782
Retiree & ME SP & CH	994.33	15.41	Not Offered	1,009.74	472.45	0.00	537.29	476.24	61.05	13%	14
Est. Monthly Total (\$ mil)	\$3.2	\$0.1	\$0.0	\$3.3	\$1.8	\$0.0	\$1.5	\$1.3	\$0.2		7,020
Total (Est. Monthly)	\$4.6	\$0.2	\$0.0	\$4.8	\$2.7	\$0.0	\$2.1	\$2.0	\$0.2		8,948
Total (Est. Annual)	\$55.4	\$2.0	\$0.1	\$57.5	\$31.8	\$0.0	\$25.6	\$23.6	\$2.0		

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

Option 2 – Multi-year Blend Non-Medicare Retirees

ASE Detailed Financials

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

ALLOCATED RESERVES (in \$millions)				
ASE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$0.00	\$0.00	\$0.00	\$0.00
STATE/EMPLOYER FUNDING				
Calc Contr.	\$390	\$387	\$413	\$446
Base Contr.	\$390	\$390	\$390	\$390
% for Ee	76%	76%	75%	75%
% for Dep	51%	50%	50%	50%
ASE Budget Pos.	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 Total Cost	2010 Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Health Advantage											
Employee Only	\$360.06	\$36.48	\$6.00	\$402.54	\$305.48	\$0.00	\$97.06	\$95.78	\$1.28	1%	14,733
Employee & Spouse	914.80	36.48	12.00	963.28	585.29	0.00	377.99	367.74	10.25	3%	3,654
Employee & Child(ren)	558.19	36.48	9.60	604.27	406.46	0.00	197.82	193.64	4.18	2%	4,105
Family	1,013.87	36.48	19.80	1,070.15	638.49	0.00	431.66	419.62	12.04	3%	3,090
Est. Monthly Total (\$mil)	\$14.1	\$0.9	\$0.2	\$15.2	\$10.3	\$0.0	\$5.0	\$4.8	\$0.1		25,582
Novasys											
Employee Only	\$418.30	\$22.85	\$6.00	\$447.15	\$305.48	\$0.00	\$141.67	\$96.36	\$45.31	47%	770
Employee & Spouse	1,039.45	22.85	12.00	1,074.30	585.29	0.00	489.01	369.18	119.83	32%	138
Employee & Child(ren)	640.16	22.85	9.60	672.61	406.46	0.00	266.15	194.54	71.61	37%	203
Family	1,150.37	22.85	19.80	1,193.02	638.49	0.00	554.53	421.22	133.31	32%	118
Est. Monthly Total (\$mil)	\$0.7	\$0.0	\$0.0	\$0.8	\$0.5	\$0.0	\$0.3	\$0.2	\$0.1		1,229
Novasys HD PPO											
Employee Only	\$295.19	\$22.85	\$6.00	\$324.04	\$305.48	\$0.00	\$18.56	\$20.60	(\$2.04)	-10%	577
Employee & Spouse	740.04	22.85	12.00	774.89	585.29	0.00	189.60	187.34	2.26	1%	123
Employee & Child(ren)	454.06	22.85	9.60	486.51	406.46	0.00	80.05	80.86	(0.81)	-1%	97
Family	819.48	22.85	19.80	862.13	638.49	0.00	223.63	220.42	3.21	1%	112
Est. Monthly Total (\$mil)	\$0.4	\$0.0	\$0.0	\$0.4	\$0.4	\$0.0	\$0.1	\$0.1	(\$0.0)		909
Total (Monthly) (\$ mil)	\$15.2	\$1.0	\$0.3	\$16.4	\$11.1	\$0.0	\$5.3	\$5.1	\$0.2		27,720
Est Annual Total (\$ mil)	\$182.4	\$11.8	\$3.0	\$197.2	\$133.4	\$0.0	\$63.8	\$61.5	\$2.3		

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

Option 2 – Multi-year Blend Non-Medicare Retirees with 90% Credit to HDPPO – Retirees



ASE Detailed Financials



CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPO	Yes
If yes, % to Blend (ASE)	90%
% to Blend Pharmacy (All)	90%

ALLOCATED RESERVES (in \$millions)				
ASE -- PYE	2010	2011	2012	2013
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$0.00	\$0.00	\$0.00	\$0.00

STATE/EMPLOYER FUNDING				
% for Ret NME	66%	60%	60%	60%
% for RetDep NME	51%	40%	40%	40%
% for Ret ME	66%	60%	60%	60%
% for RetDep ME	51%	40%	40%	40%

2011 vs. 2010

Keep NME Rates Same as 2010	No
Keep ME Rates Same as 2010	No

Retirees	Medical and Pharmacy	Expenses	Corp Health	Total Monthly Premium	State Contributions	Reserve Allocation	2011 Total Cost	2010 Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment	
Non-Medicare Eligible											
Retiree Only	\$360.06	\$36.48	\$6.00	\$402.54	\$241.53	\$0.00	\$161.02	\$235.74	(\$74.72)	-32%	1,351
Retiree & NME SP	914.80	36.48	12.00	963.28	465.82	0.00	497.46	575.88	(78.42)	-14%	489
Retiree & Child(ren)	558.19	36.48	9.60	604.27	322.22	0.00	282.06	439.84	(157.78)	-36%	54
Retiree & NME SP&CH	1,013.87	36.48	19.80	1,070.15	508.57	0.00	561.58	916.72	(355.14)	-39%	33
Retiree & ME SP	692.27	36.48	6.00	734.75	374.41	0.00	360.34	401.54	(41.20)	-10%	1
Retiree & ME SP & CH	890.40	36.48	9.60	936.48	455.10	0.00	481.38	606.77	(125.39)	-21%	-
Est. Monthly Total (\$ mil)	\$1.0	\$0.1	\$0.0	\$1.1	\$0.6	\$0.0	\$0.5	\$0.7	(\$0.2)		1,928
Medicare Eligible											
Retiree Only	\$327.35	\$15.41	Not Offered	\$342.76	\$205.66	\$0.00	\$137.11	\$117.12	\$19.99	17%	4,619
Retiree & NME SP	692.27	15.41	Not Offered	707.68	374.41	0.00	333.27	446.72	(113.45)	-25%	534
Retiree & Child(ren)	525.49	15.41	Not Offered	540.90	284.91	0.00	255.98	314.86	(58.88)	-19%	42
Retiree & NME SP&CH	890.40	15.41	Not Offered	905.81	455.10	0.00	450.71	644.48	(193.77)	-30%	29
Retiree & ME SP	654.72	15.41	Not Offered	670.13	336.60	0.00	333.52	278.49	55.03	20%	1,782
Retiree & ME SP & CH	852.85	15.41	Not Offered	868.26	415.86	0.00	452.40	476.24	(23.84)	-5%	14
Est. Monthly Total (\$ mil)	\$3.1	\$0.1	\$0.0	\$3.2	\$1.8	\$0.0	\$1.4	\$1.3	\$0.1		7,020
Total (Est. Monthly)	\$4.1	\$0.2	\$0.0	\$4.3	\$2.4	\$0.0	\$1.9	\$2.0	(\$0.0)		8,948
Total (Est. Annual)	\$49.3	\$2.1	\$0.2	\$51.6	\$28.4	\$0.0	\$23.2	\$23.6	(\$0.5)		

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

Option 3 – Multi-year Blend Non-Medicare Retirees with 90% 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 & HDPPPO	Yes
If yes, % to 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 - 9/30	\$0.00	\$0.00	\$0.00	\$0.00
STATE/EMPLOYER FUNDING				
Calc Contr.	\$390	\$390	\$411	\$444
Base Contr.	\$390	\$390	\$390	\$390
% for Ee	76%	75%	75%	75%
% for Dep	51%	50%	50%	50%
ASE Budget Pos.	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 Total Cost	2010 Total Cost	Change in Premiums (\$ / %)	Assumed Enrollment
Health Advantage										
Employee Only	\$360.06	\$36.48	\$6.00	\$402.54	\$306.76	\$0.00	\$95.78	\$95.78	\$0.00 0%	14,733
Employee & Spouse	914.80	36.48	12.00	963.28	595.54	0.00	367.74	367.74	0.00 0%	3,654
Employee & Child(ren)	558.19	36.48	9.60	604.27	410.63	0.00	193.64	193.64	0.00 0%	4,105
Family	1,013.87	36.48	19.80	1,070.15	650.53	0.00	419.62	419.62	0.00 0%	3,090
Est. Monthly Total (\$mil)	\$14.1	\$0.9	\$0.2	\$15.2	\$10.4	\$0.0	\$4.8	\$4.8	\$0.0	25,582
Novasys										
Employee Only	\$418.30	\$22.85	\$6.00	\$447.15	\$306.76	\$0.00	\$140.39	\$96.36	\$44.03 46%	770
Employee & Spouse	1,039.45	22.85	12.00	1,074.30	595.54	0.00	478.76	369.18	109.58 30%	138
Employee & Child(ren)	640.16	22.85	9.60	672.61	410.63	0.00	261.97	194.54	67.43 35%	203
Family	1,150.37	22.85	19.80	1,193.02	650.53	0.00	542.49	421.22	121.27 29%	118
Est. Monthly Total (\$mil)	\$0.7	\$0.0	\$0.0	\$0.8	\$0.5	\$0.0	\$0.3	\$0.2	\$0.1	1,229
Novasys HD PPO										
Employee Only	\$295.19	\$22.85	\$6.00	\$324.04	\$306.76	\$0.00	\$17.27	\$20.60	(\$3.33) -16%	577
Employee & Spouse	740.04	22.85	12.00	774.89	595.54	0.00	179.35	187.34	(7.99) -4%	123
Employee & Child(ren)	454.06	22.85	9.60	486.51	410.63	0.00	75.88	80.86	(4.98) -6%	97
Family	819.48	22.85	19.80	862.13	650.53	0.00	211.59	220.42	(8.83) -4%	112
Est. Monthly Total (\$mil)	\$0.4	\$0.0	\$0.0	\$0.4	\$0.4	\$0.0	\$0.1	\$0.1	(\$0.0)	909
Total (Monthly) (\$ mil)	\$15.2	\$1.0	\$0.3	\$16.4	\$11.2	\$0.0	\$5.2	\$5.1	\$0.1	27,720
Est Annual Total (\$ mil)	\$182.4	\$11.8	\$3.0	\$197.2	\$134.8	\$0.0	\$62.4	\$61.5	\$0.9	

Option 3 – Multi-year Blend Non-Medicare Retirees with 90% Credit to HDPPPO and \$0 HA rate Increase - Retirees



ASE Detailed Financials



CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPPO	Yes
If yes, % to Blend (ASE)	90%
% to Blend Pharmacy (All)	90%

ALLOCATED RESERVES (in \$millions)				
ASE -- PYE	2010	2011	2012	2013
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$0.00	\$0.00	\$0.00	\$0.00

STATE/EMPLOYER FUNDING

% for Ret NME	66%	60%	60%	60%
% for RetDep NME	51%	40%	40%	40%
% for Ret ME	66%	60%	60%	60%
% for RetDep ME	51%	40%	40%	40%

2011 vs. 2010

Keep NME Rates Same as 2010	Yes
Keep ME Rates Same as 2010	Yes

Retirees	Medical and Pharmacy	Expenses	Corp Health	Total Monthly Premium	State Contributions	Reserve Allocation	2011 Total Cost	2010 Total Cost	Change in Premiums (\$ / %)		Assumed Enrollment
Non-Medicare Eligible											
Retiree Only	\$360.06	\$36.48	\$6.00	\$402.54	\$166.80	\$0.00	\$235.74	\$235.74	\$0.00	0%	1,351
Retiree & NME SP	914.80	36.48	12.00	963.28	387.40	0.00	575.88	575.88	0.00	0%	489
Retiree & Child(ren)	558.19	36.48	9.60	604.27	164.43	0.00	439.84	439.84	0.00	0%	54
Retiree & NME SP&CH	1,013.87	36.48	19.80	1,070.15	153.43	0.00	916.72	916.72	0.00	0%	33
Retiree & ME SP	692.27	36.48	6.00	734.75	333.21	0.00	401.54	401.54	0.00	0%	1
Retiree & ME SP & CH	890.40	36.48	9.60	936.48	329.71	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		1,928
Medicare Eligible											
Retiree Only	\$327.35	\$15.41	Not Offered	\$342.76	\$225.64	\$0.00	\$117.12	\$117.12	\$0.00	0%	4,619
Retiree & NME SP	692.27	15.41	Not Offered	707.68	260.96	0.00	446.72	446.72	0.00	0%	534
Retiree & Child(ren)	525.49	15.41	Not Offered	540.90	226.04	0.00	314.86	314.86	0.00	0%	42
Retiree & NME SP&CH	890.40	15.41	Not Offered	905.81	261.33	0.00	644.48	644.48	0.00	0%	29
Retiree & ME SP	654.72	15.41	Not Offered	670.13	391.64	0.00	278.49	278.49	0.00	0%	1,782
Retiree & ME SP & CH	852.85	15.41	Not Offered	868.26	392.02	0.00	476.24	476.24	0.00	0%	14
Est. Monthly Total (\$ mil)	\$3.1	\$0.1	\$0.0	\$3.2	\$1.9	\$0.0	\$1.3	\$1.3	\$0.0		7,020
Total (Est. Monthly)	\$4.1	\$0.2	\$0.0	\$4.3	\$2.3	\$0.0	\$2.0	\$2.0	\$0.0		8,948
Total (Est. Annual)	\$49.3	\$2.1	\$0.2	\$51.6	\$28.0	\$0.0	\$23.6	\$23.6	\$0.0		

Comparison of Rates – Actives

Actives	Total Monthly Premium			2010-2011 Total Cost (to Participants)		
	Option 1 - Baseline	Option 2 - Blend NMED	Option 3 - Blend NMED, \$0 HA Rate Increase	Option 1 - Baseline	Option 2 - Blend NMED	Option 3 - Blend NMED, \$0 HA Rate Increase
Health Advantage						
Employee Only	\$390.41	\$402.54	\$402.54	\$97.52	\$101.08	\$95.78
Employee & Spouse	931.62	963.28	963.28	368.20	382.01	367.74
Employee & Child(ren)	585.17	604.27	604.27	194.61	201.83	193.64
Family	1,035.01	1,070.15	1,070.15	420.02	435.68	419.62
Est. Monthly Cost (\$ mil)	\$14.8	\$15.2	\$15.2	\$4.9	\$5.1	\$4.8
Novasys						
Employee Only	\$443.75	\$447.15	\$447.15	\$150.85	\$145.69	\$140.39
Employee & Spouse	1,065.03	1,074.30	1,074.30	501.60	493.03	478.76
Employee & Child(ren)	667.11	672.61	672.61	276.55	270.17	261.97
Family	1,182.70	1,193.02	1,193.02	567.71	558.55	542.49
Est. Monthly Cost (\$ mil)	\$0.8	\$0.8	\$0.8	\$0.3	\$0.3	\$0.3
Novasys HD PPO						
Employee Only	\$321.73	\$324.04	\$324.04	\$28.84	\$22.58	\$17.27
Employee & Spouse	768.30	774.89	774.89	204.88	193.62	179.35
Employee & Child(ren)	482.68	486.51	486.51	92.12	84.07	75.88
Family	854.77	862.13	862.13	239.78	227.65	211.59
Est. Monthly Cost (\$ mil)	\$0.4	\$0.4	\$0.4	\$0.1	\$0.1	\$0.1
Total (Monthly) (\$ mil)	\$15.9	\$16.4	\$16.4	\$5.3	\$5.4	\$5.2
Est Annual Cost (\$ mil)	\$191.3	\$197.2	\$197.2	\$63.2	\$65.2	\$62.4

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

Comparison of Rates – Retirees

Retirees	Total Monthly Premium			2010-2011 Total Cost (to Participants)		
	Option 1 - Baseline	Option 2 - Blend NMED	Option 3 - Blend NMED, \$0 HA Rate Increase	Option 1 - Baseline	Option 2 - Blend NMED	Option 3 - Blend NMED, \$0 HA Rate Increase
Non-Medicare Eligible						
Retiree Only	\$581.71	\$402.54	\$402.54	\$232.68	\$161.02	\$235.74
Retiree & NME SP	1,151.82	963.28	963.28	574.75	497.46	575.88
Retiree & Child(ren)	923.82	604.27	604.27	437.95	282.06	439.84
Retiree & NME SP & CH	1,723.34	1,070.15	1,070.15	917.66	561.58	916.72
Retiree & ME SP	918.01	734.75	734.75	434.47	360.34	401.54
Retiree & ME SP & CH	1,262.54	936.48	936.48	641.18	481.38	606.77
Est. Monthly Cost (\$ mil)	\$1.5	\$1.1	\$1.1	\$0.6	\$0.5	\$0.7
Medicare Eligible						
Retiree Only	\$342.76	\$342.76	\$342.76	\$137.11	\$137.11	\$117.12
Retiree & NME SP	896.44	707.68	707.68	412.90	333.27	446.72
Retiree & Child(ren)	682.37	540.90	540.90	340.87	255.98	314.86
Retiree & NME SP & CH	1,235.47	905.81	905.81	614.11	450.71	644.48
Retiree & ME SP	670.13	670.13	670.13	333.52	333.52	278.49
Retiree & ME SP & CH	1,009.74	868.26	868.26	537.29	452.40	476.24
Total Monthly Cost	\$3.3	\$3.2	\$3.2	\$1.5	\$1.4	\$1.3
Total (Est. Monthly)	\$4.8	\$4.3	\$4.3	\$2.1	\$1.9	\$2.0
Total (Est. Annual)	\$57.5	\$51.6	\$51.6	\$25.6	\$23.2	\$23.6

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



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
Health Advantage											
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
Novasys											
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
Novasys HD PPO											
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
Total (Monthly) (\$ mil)	\$12.2	\$3.1	\$0.2	\$15.6	\$10.6	\$0.0	\$5.0	\$5.4	(\$0.4)		26,797
Est Annual Total (\$ mil)	\$146.6	\$37.5	\$2.9	\$187.0	\$126.9	\$0.0	\$60.1	\$65.2	(\$5.1)		



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
Non-Medicare Eligible											
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
Medicare Eligible											
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 on 3/31/2010

Investment return*:

0%

Annual Trend*:

	<u>Health Advantage</u>	<u>NovaSys</u>	<u>HD PPO</u>	<u>ARHealth Retirees</u>	<u>Behavioral 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%

* 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:

	<u>Health Advantage</u> <u>or NovaSys</u>	<u>HA or NovaSys</u> <u>Pharmacy</u>	<u>HD PPO</u>	<u>HD PPO</u> <u>Pharmacy</u>	<u>Medicare *</u>	<u>Medicare</u> <u>Pharmacy</u>
ASE	0.8271	0.6860	0.6779	0.5154		0.1457

* reflects Medicare Parts A and B.

Expenses:

Per Subscriber Per Month	Actives	Actives	Retirees	Retirees	Actives only	Actives
	<u>Health Advantage</u>	<u>NovaSys</u>	<u>Non-Medicare</u>	<u>Medicare</u>	<u>EBD*</u>	<u>Blended with NME - EBD*</u>
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 March 31, 2010.
 NovaSys: Service dates from January 1, 2009 to December 31, 2009 and process dates from January 1, 2009 to March 31, 2010.
 Pharmacy: Service dates from March 1, 2009 to February 28, 2010 and process dates from March 1, 2009 to March 31, 2010.

Completion Factors:

Health Advantage: We used the data from lag reports with service dates from January 1, 2008 to December 31, 2009 and process dates from January 1, 2008 to March 31, 2010 the completion factors.
 NovaSys: We used the individual claims database with service dates from January 1, 2008 to December 31, 2009 and process dates from January 1, 2008 to March 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 January 31, 2010 and process dates from January 1, 2008 to March 31, 2010 the completion factors. We aggregated the data by network provider and major rate structure (Actives, non-Medicare retirees v. Medicare retirees)

ASE	<u>Health Advantage</u>	<u>NovaSys</u>	<u>HD PPO</u>	<u>Pharmacy</u>	<u>ARHealth Non-Medicare Retirees</u>	<u>Pharmacy non-Medicare Retirees</u>	<u>ARHealth Medicare Retirees</u>
January-09	0.997	0.998	1.000	1.000	0.999	1.000	0.983
February-09	0.997	0.998	0.999	1.000	0.999	1.000	0.983
March-09	0.996	0.996	0.990	1.000	0.998	1.000	0.982
April-09	0.996	0.995	0.988	1.000	0.998	1.000	0.981
May-09	0.995	0.994	0.987	1.000	0.997	1.000	0.979
June-09	0.994	0.991	0.986	1.000	0.993	1.000	0.978
July-09	0.993	0.989	0.986	1.000	0.992	1.000	0.976
August-09	0.991	0.986	0.976	1.000	0.989	0.999	0.974
September-09	0.989	0.981	0.967	1.000	0.982	0.999	0.969
October-09	0.982	0.969	0.959	1.000	0.977	0.999	0.962
November-09	0.970	0.956	0.948	1.000	0.977	0.999	0.952
December-09	0.945	0.936	0.926	1.000	0.949	0.998	0.931
January-10	0.891	0.894	0.889	0.998	0.901	0.997	0.888
February-10	0.756	0.720	0.731	0.998	0.773	0.996	0.705

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 grouping in 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 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 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 cost impacted.

Rate Allocation Assumptions:

	<u>Actives</u>	<u>Retirees</u>
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</u>			<u>ARHealth Retirees</u>	<u>Behavioral</u>			
	<u>Advantage</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

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

Reasons Trends so Low:

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

Reasons to Keep Trends Low:

- 7 2010 Contract for Health Advantage have no rate increase - per phone call
- 8 2010 Contract for NovaSys should be more favorable -- they are doing additional analysis
- 9 Believe the generic utilization will improve another 1.3%
- 10 Believe that more options still exist to promote cost effective use of specialty and brand drugs
- 11 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	\$ 31.9

- 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
TOTAL	\$ 8.5

Items that have already been reflected in 2009-10 rates

Net Income from Lifestyle Assessment	\$ 1.4
TOTAL	\$ 1.4

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)
TOTAL	\$ 21.9
<i>Percent of 2009 expenses</i>	9.8%

GRAND TOTAL	<u>\$ 31.9</u>
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