

**State and Public School Life
And Health Insurance Board
Minutes
June 8, 2010**

The 108th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on Tuesday, June 8, 2010 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

MEMBERS PRESENT

Janis Harrison
John Kirtley
Lloyd Black
Shelby McCook
Bob Alexander
Vance Strange
William Goff
Dr. Joseph Thompson
Dr. Andrew Kumpuris

MEMBERS ABSENT

Robert Watson
Renee Mallory

Jason Lee, Executive Director, Employee Benefits Division.

OTHERS PRESENT:

Karen Mallett, CHEIRON; George Platt; Leigh Ann Chrouch, Michelle Hazelett, Amy Tustison, Kristie Cox, Amy Redd, Paige Harrington, Lori Eden, Latryce Taylor, Tracy Collins, Donna Cook, Sherry Bryant, Shannon Roberts; Florence Marvin, Sherri Saxby, Cathy Harris, EBD; David Bridges, Barbara Melugin, ABCBS/Health Advantage; Ronda Walthall, Wayne Whitley, AR Highway & Transportation Dept, Dwight Davis, Susan Walker, Data Path; Shonda Rocke, Informed Rx; Joseph Chang, Securian; Dwane Tankersley; NovaSys; Doris Williams, AR Dept of Health; Kim Henderson, AR Development Finance Authority; Jill Johnson, UAMS College of Pharmacy/EBRx; Mona Neal, Public Service Commission; John Greer, Humana

CALL TO ORDER

Meeting was called to order by Janis Harrison, Chairman

APPROVAL OF MINUTES

The request was made by Harrison to approve the May 11, 2010 minutes. Strange made the motion to approve minutes. Kirtley seconded. All were in favor. Minutes approved.

BENEFITS SUBCOMMITTEE REPORT *by Lloyd Black*

Black reported the Benefits Subcommittee met on June 4th and then presented the following recommendation for Board consideration.

1. 2011 ASE Actives & Retiree Rates

Recommendation: Option #3 (Multi-year Blend Non-Medicare Retirees with 90% Credit to HDPPO and \$0 HA rate Increase).

McCook made the motion to accept the Benefits subcommittee report and the recommendation for the 2011 ASE Actives & Retiree Rates; option #3 (Multi-year Blend Non-Medicare Retirees with 90% Credit to HDPPO and \$0 HA rate Increase). Strange seconded.

Chairman Harrison suggested the Board review the 2011 Preliminary ASE Active & Retiree Rates before they voted on the rates.

2011 ASE ACTIVES & RETIREE RATES *by Karen Mallett, Cheiron*

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

- Baseline with 10% Credit to HDPPO
- Blend NME with 10% Credit to HDPPO
- Blend NME, 10% to HD, \$0 HA rate increase

A discussion ensued.

Lee informed the Board the rates will be updated with one additional month of experience, but the methodology will not change.

All were in favor of the motion to accept option #3 (Multi-year Blend Non-Medicare Retirees with 90% Credit to HDPPO and \$0 HA rate Increase). Motion carried.

FINANCIALS *by Leigh Ann Chrouch, CFO*

Chrouch presented detailed financial statements for the Arkansas State Employees (ASE) and the Public School Employees (PSE) for April 2010 and the penalties assessed by state agencies and school district.

STRATEGIC OVERVIEW & CONTRACT PLAN *by Jason Lee*

Lee provided the Board with his strategic direction regarding the contracting that is done by EBD on behalf of the Board for the health plan.

Lee presented a multi page document with information about the following categories for Board review and consideration.

- Pharmacy Benefit Management
- Health Plan Management (Medical)
- Health Plan Management (Behavioral / Substance Abuse)
- Employee Assistance Program (EAP)
- Smoking Cessation Program

A discussion ensued.

McCook suggested Lee do a little more investigation into member utilization for EAP services.

PSE MOVE TO 2012 *by Jason Lee*

Lee reported they have almost concluded all of the coop meetings. Lee said they had an overwhelming response to the PSE plan year change and that the districts are supportive of a 15 month plan year so that the 2011 plan year can start on the regular schedule and end December 31, 2011. Lee said this move will allow them to synchronize the tax year with the plan year for healthcare reporting.

McCook made the motion that the next plan year begin October 1, 2010 and end December 31, 2011 and requested the EBD staff work with the school on the length and timeframe of the enrollment period. Black seconded. All were in favor. Motion carried.

ELECTION OF BOARD CHAIR / VICE CHAIR *by Jason Lee*

McCook made the motion for Harrison and Mallory to serve another year as the Chairman and Vice Chairman of the Board. Black seconded and moved to close nominations. McCook seconded.

All were in favor. Motion carried

DIRECTOR REPORTS *by Jason Lee*

Lee explained he is putting together a list of ideas and suggestions for the next legislative session.

The Board decided by consensus to retain the Powers - Functions – Duties of Arkansas Code § 21-5-404.

The Board decided by consensus that they will establish the procedures that direct the various functions of the subcommittees without legislation involvement.

Meeting Adjourned.

The following pages
were made available to
attendees of the meeting

AGENDA

**State and Public School
Life and Health Insurance Board
EBD Board Room
501 Building, 5th Floor
1 p.m.
June 8, 2010**

1. **Call to Order** *Janis Harrison, Chairman*
2. **Approval of Minutes** *Janis Harrison, Chairman*
3. **Benefits Subcommittee Report** *Lloyd Black, Vice-Chairman*
4. **2011 Preliminary ASE Active & Retiree Rates**..... *Cheiron*
5. **Financials** *Leigh Ann Chrouch, CFO*
6. **Strategic Overview & Contract Plan** *Jason Lee, EBD*
7. **PSE Move to 2012** *Jason Lee, EBD*
8. **Election of Board Chair /Vice Chair** *Janis Harrison, Chairman*
9. **Director's Report** *Jason Lee, EBD*

**Next Meeting
July 13th**

State and Public School Life and Health Insurance Board

Benefits Sub-Committee Report

Meeting Date: June 4, 2010

Recommendation: Option #3 –Pgs 8& 9(Multi-year Blend Non-Medicare Retirees with 90% Credit to HDPPPO and \$0 HA rate Increase for ASE Actives & Retirees).

Recommendation: That the next PSE plan year end December 31, 2011, and to encourage the staff to be flexible with the school district during the enrollment period.

Arkansas State Employees Health Benefits Program

Preliminary 2011 ASE Active and Retiree Rates



Karen Mallett, FSA, MAAA

June 8, 2010



Topics

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Option 1 – Baseline with 10% 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	\$14,187	\$0	\$14,187
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
	x tier	Projected		x tier	Projected		x tier	Projected	
22 Conversion to Rating Tiers [19 x rating tier x counts]	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 10% 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 10% Credit to HDPPPO - Actives



ASE Detailed Financials



CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	No
Blend Novasys PPO & HDPPPO	Yes
If yes, % of PPO in 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 - 12/31	\$0.00	\$0.00	\$0.00	\$0.00
STATE/EMPLOYER FUNDING				
Calc Contributions	\$390	\$383	\$406	\$439
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
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 10% Credit to HDPPPO - Retirees

ASE Detailed Financials

CLAIMS & EXPENSES				ALLOCATED RESERVES (in \$millions)							
Blend ASE & PSE Retirees	No			ASE -- PYE	2010				2011	2012	2013
Combine NM Ret with Actives	No				Retiree NME - 12/31	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Blend Novasys PPO & HDPPPO	Yes				Retiree ME - 12/31	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
If yes, % of PPO in Blend (ASE)	90%				STATE/EMPLOYER FUNDING						
% to Blend Pharmacy (All)	90%				% for Ret NME	66%	60%	60%	60%	60%	
2011 vs. 2010	Keep NME Rates Same as 2010	No			% for Ret Dep NME	51%	40%	40%	40%	40%	
	Keep ME Rates Same as 2010	No			% for Ret ME	66%	60%	60%	60%	60%	
					% for Ret Dep ME	51%	40%	40%	40%	40%	
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	
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 with 10% Credit to HDPPO – Actives



ASE Detailed Financials



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

Keep HA Rates Same as 2010	No
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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	\$387	\$413	\$446
Base Contributions	\$390	\$390	\$390	\$390
% for Employee	76%	76%	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
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 10% Credit to HDPPO – Retirees



ASE Detailed Financials



CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys PPO & HDPPO	Yes
If yes, % of PPO in 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 Ret Dep NME	51%	40%	40%	40%
% for Ret ME	66%	60%	60%	60%
% for Ret Dep 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 Ret. Total Cost	2010 Ret. 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 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	\$411	\$444
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
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 10% 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 PPO & HDPPPO	Yes
If yes, % of PPO in Blend (ASE)	90%
% to Blend Pharmacy (All)	90%

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

2011 vs. 2010

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

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	
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 NME	Option 3 - Blend NME, \$0 HA Rate Increase	Option 1 - Baseline	Option 2 - Blend NME	Option 3 - Blend NME, \$0 HA Rate Increase
Health Advantage						
Employee Only	\$390.41	\$402.54	\$402.54	\$97.52	\$97.06	\$95.78
Employee & Spouse	931.62	963.28	963.28	368.20	377.99	367.74
Employee & Child(ren)	585.17	604.27	604.27	194.61	197.82	193.64
Family	1,035.01	1,070.15	1,070.15	420.02	431.66	419.62
Est. Monthly Cost (\$ mil)	\$14.8	\$15.2	\$15.2	\$4.9	\$5.0	\$4.8
Novasys						
Employee Only	\$443.75	\$447.15	\$447.15	\$150.85	\$141.67	\$140.39
Employee & Spouse	1,065.03	1,074.30	1,074.30	501.60	489.01	478.76
Employee & Child(ren)	667.11	672.61	672.61	276.55	266.15	261.97
Family	1,182.70	1,193.02	1,193.02	567.71	554.53	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	\$18.56	\$17.27
Employee & Spouse	768.30	774.89	774.89	204.88	189.60	179.35
Employee & Child(ren)	482.68	486.51	486.51	92.12	80.05	75.88
Family	854.77	862.13	862.13	239.78	223.63	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	\$5.3	\$5.2
Est Annual Cost (\$ mil)	\$191.3	\$197.2	\$197.2	\$63.2	\$63.8	\$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 NME	Option 3 - Blend NME, \$0 HA Rate Increase	Option 1 - Baseline	Option 2 - Blend NME	Option 3 - Blend NME, \$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) (\$ mil)	\$4.8	\$4.3	\$4.3	\$2.1	\$1.9	\$2.0
Total (Est. Annual \$ mil)-Ret	\$57.5	\$51.6	\$51.6	\$25.6	\$23.2	\$23.6
Total (Est. Annual \$ mil)-Act	\$191.3	\$197.2	\$197.2	\$63.2	\$63.8	\$62.4
Total (Est. Annual \$ mil)-Tot	\$248.8	\$248.8	\$248.8	\$88.8	\$87.0	\$86.0

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	0.00%	8.50%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%	or Non-Medicare Factors	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	1.000	1.000	1.000
PSE non-Medicare 2008:	0.9776	0.9776	0.9168	or Non-Medicare Factors	1.000	1.000	1.000
ASE/PSE non-Medicare 2009:	1.0105	1.0105	1.0105		1.000	1.000	1.000
ASE / PSE Medicare 2008:	1.065	N/A	N/A	Use either Medicare	1.000	1.000	1.000
ASE / PSE Medicare 2009:	1.065	N/A	N/A	or Non-Medicare Factors	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 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</u> <u>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 to develop 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 to develop 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>	<u>Pharmacy Medicare Retirees</u>
January-09	0.997	0.998	1.000	1.000	0.999	1.000	0.983	1.000
February-09	0.997	0.998	0.999	1.000	0.999	1.000	0.983	1.000
March-09	0.996	0.996	0.990	1.000	0.998	1.000	0.982	1.000
April-09	0.996	0.995	0.988	1.000	0.998	1.000	0.981	1.000
May-09	0.995	0.994	0.987	1.000	0.997	1.000	0.979	1.000
June-09	0.994	0.991	0.986	1.000	0.993	1.000	0.978	1.000
July-09	0.993	0.989	0.986	1.000	0.992	1.000	0.976	1.000
August-09	0.991	0.986	0.976	1.000	0.989	0.999	0.974	1.000
September-09	0.989	0.981	0.967	1.000	0.982	0.999	0.969	1.000
October-09	0.982	0.969	0.959	1.000	0.977	0.999	0.962	0.999
November-09	0.970	0.956	0.948	1.000	0.977	0.999	0.952	0.999
December-09	0.945	0.936	0.926	1.000	0.949	0.998	0.931	0.999
January-10	0.891	0.894	0.889	0.998	0.901	0.997	0.888	0.998
February-10	0.756	0.720	0.731	0.998	0.773	0.996	0.705	0.996

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:

	<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
\$0

Interest Income:

* 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>
--------------------	-----------------------

Public School Employees (PSE) Financials - October 1, 2009 through April 30, 2010

	ARHealth	Health Adv	NovaSys	Total
Actives		37,765	3,705	41,470
Actives HD			2,529	2,529
Retirees	7,401			7,401
COBRA		703	75	778
Total	7,401	38,468	6,309	52,178

Operations as of 04/30/10

	Current Month	Year to Date (7 months)
Funding		
District Contribution	\$ 5,763,345	\$ 40,314,595
Employee Contribution, Rebates	\$ 12,866,272	\$ 87,282,169
Dept of Ed \$35,000,000 & \$15,000,000	\$ 6,931,818	\$ 33,522,727
Total Funding	\$ 25,561,436	\$ 161,119,491
Expenses		
Medical Expenses:		
Claims Expense	\$ 16,822,853	\$ 105,546,432
Claims IBNR	\$ -	\$ -
Medical Admin Fees	\$ 1,340,100	\$ 8,863,814
Refunds	\$ 9,330	\$ (14,828)
Behavioral Health	\$ 310,340	\$ 2,179,667
Pharmacy Expenses:	\$ -	\$ -
RX Claims	\$ 4,254,465	\$ 29,866,201
RX IBNR	\$ -	\$ -
RX Admin	\$ 64,234	\$ 456,984
Plan Administration	\$ 276,604	\$ 2,040,087
Total Expenses	\$ 23,077,926	\$ 148,938,357
Net Income/(Loss)	\$ 2,483,510	\$ 12,181,134
Reserve Activity:		
Allocation for Active Premiums for Plan Yr 10/01/09-09/30/10	\$ 166,667	\$ 1,166,669
Retiree Premiums for Plan Year 01/01/10-12/31/10	\$ 383,402	\$ 1,533,608
Net Income/(Loss) After Reserves	\$ 3,033,579	\$ 14,881,411

Balance Sheet as of 04/30/10

Assets	
Bank Account	\$ 13,027,252
State Treasury	\$ 68,569,473
Receivable from Provider	\$ 1,021,126
Accounts Receivable	\$ 322,630
Due from ASE	
Total Assets	\$ 82,940,480
Liabilities	
Accounts Payable	\$ 2,374,625
Due to ASE	
Deferred Revenues	\$ 1,499,998
Health IBNR	\$ 22,250,000
RX IBNR	\$ 2,250,000
Total Liabilities	\$ 28,374,622
Net Assets	\$ 54,565,858
Less Reserves Allocated:	
Active Premiums for Plan Year 10/01/09-09/30/10 (original allocation \$2,000,000)	\$ (833,331)
Retiree Premiums for Plan Year 01/01/10-12/31/10 (\$4,000,000+600,823 = \$4,600,823)	\$ (3,067,215)
Active Premiums for Plan Years 10/01/10-09/30/12 (\$1,200,000 + \$800,000 = \$2,000,000)	\$ (2,000,000)
Retiree Premiums for Plan Years 01/01/11-12/31/12 (\$2,400,000 + \$1,600,000 = \$4,000,000)	\$ (4,000,000)
Catastrophic Reserve	\$ (9,100,000)
Pharmacy Reward Program (2009-\$1,500,000)	\$ (1,500,000)
Net Assets Available	\$ 34,065,311

Arkansas State Employees (ASE) Financials - January 1, 2010 through April 30, 2010

	ARHealth	Health Adv	NovaSys	Total
Actives		25,451	1,218	26,669
Actives HD			912	912
Retirees	8,628			8,628
COBRA		134	8	142
Total	8,628	25,585	2,138	36,351

Operations as of 04/30/10

	Current Month	Year to Date (4 months)
Funding		
State Contribution	\$ 13,588,788	\$ 54,354,814
Employee Contribution, Rebates, Life	\$ 7,803,788	\$ 29,352,123
Medicare Subsidy	\$ 390,715	\$ 964,035
Total Funding	\$ 21,783,292	\$ 84,670,972
Expenses		
Medical Expenses		
Claims Expense	\$ 14,804,611	\$ 50,698,965
Claims IBNR	\$ -	\$ -
Medical Admin Fees	\$ 866,812	\$ 3,405,222
Refunds	\$ 8,459	\$ 13,945
Behavioral Health	\$ 284,530	\$ 1,137,721
Life Insurance	\$ 79,548	\$ 318,209
Pharmacy Expenses		
RX Claims	\$ 5,067,820	\$ 20,131,819
RX IBNR	\$ -	
RX Admin	\$ 71,612	\$ 286,043
Plan Administration	\$ 240,781	\$ 811,692
Total Expenses	\$ 21,424,172	\$ 76,803,616
Net Income/(Loss)	\$ 359,119	\$ 7,867,356

Balance Sheet as of 04/30/10

Assets	
Bank Account	\$ 6,674,781
State Treasury	\$ 86,062,721
Receivable from Cafeteria Plan	\$ 2,470,011
Receivable from PSE	\$ -
Receivable from Provider	\$ 1,076,880
Receivable from Medicare	\$ 390,715
Accounts Receivable	\$ 795,308
Total Assets	\$ 97,470,417
Liabilities	
Accounts Payable	\$ 2,658,156
Deferred Revenues	\$ 4,212,957
Due to Cafeteria	\$ -
Due to PSE	\$ -
Health IBNR	\$ 19,000,000
RX IBNR	\$ 2,500,000
Total Liabilities	\$ 28,371,113
Net Assets	\$ 69,099,304
Less Reserves Allocated:	
Catastrophic Reserve	\$ (8,100,000)
Pharmacy Reward Program (2009-\$1,500,000)	\$ (1,500,000)
Net Assets Available	\$ 59,499,304

ASE Cafeteria Plan Financials 2010- January 1, 2010 through April 30, 2010

Cafeteria Plan Operations as of 04/30/10

Funding	Current Month	Year to Date (4 months)
FICA Savings	\$ 358,636	\$ 1,433,745
Interest, Penalties, Tax Set Off	\$ 897	\$ 16,425
Total Funding	\$ 359,533	\$ 1,450,170
Expenses		
Plan Administration	\$ 26,314	\$ 57,147
Forfeited Benefits (Annual Expense)	\$ -	\$ -
FICA Savings Transfer (Annual Expense)	\$ -	\$ -
Total Expenses	\$ 26,314	\$ 57,147
Net Income/(Loss)	\$ 333,219	\$ 1,393,023

Balance Sheet as of 04/30/10

Assets	
State Cafeteria (Flexible Benefits)	\$ 561,454
Admin Acct (FICA Savings)	\$ 221,361
State Treasury	\$ 7,313,008
Due from Health Plan	\$ -
Due from State Employee Fund	\$ -
Accounts Receivable	\$ 10,348
Total Assets	\$ 8,106,170
Liabilities	
Accounts Payable	\$ (68,645)
Due to Health Plan (FICA Savings Annual)	\$ (1)
Due to Health Plan (Forfeited Benefits Annual)	\$ 2,470,012
Total Liabilities	\$ 2,401,366
Net Assets	\$ 5,704,804

STATE AGENCY PENALTIES ASSESSED FOR APRIL 2010

Agency Name	Description of Violation	Penalty Assessed
Arkansas Psychology Board	State contribution not received by April 30, 2010	\$100
Arkansas Department of Veteran Affairs	State contribution not received by April 30, 2010	\$256

Payments due by June 30, 2010

\$356

SCHOOL DISTRICT PENALTIES ASSESSED FOR JANUARY 2010

Act 1009 of 2007 (§21-5-415) states the division shall impose a penalty

District Name	Description of Violation	Penalty Assessed	
Hope Academy	January 2010 Historical Billing Report and payment not received by January 31, 2010	\$100	
Osceola Community School (OCABS)	January 2010 Historical Billing Report and payment not received by January 31, 2010	\$100	PAID

STATE AGENCY PENALTIES ASSESSED FOR JANUARY 2010

Agency Name	Description of Violation	Penalty Assessed	
Arkansas Psychology Board	State contribution not received by January 31, 2010	\$100	
Arkansas Department of Veteran Affairs	State contribution not received by January 31, 2010	\$256	PAID
Arkansas Abstractor's Board of Examiners	State contribution not received by January 31, 2010	\$100	PAID

Payments due by March 31, 2010

\$656