

**State and Public School Life
And Health Insurance Board
Minutes
March 9, 2010**

The 105th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on Tuesday, March 9, 2010 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

MEMBERS PRESENT

Janis Harrison
Renee Mallory
John Kirtley
Dr. Andrew Kumpuris
Anita Woodall
Shelby McCook
Bob Alexander
Lloyd Black
Vance Strange
William Goff
Robert Watson
Dr. Joseph Thompson

MEMBERS ABSENT

Jason Lee, Executive Director, Employee Benefits Division.

OTHERS PRESENT:

John Coberg, Karen Mallett, CHEIRON; Scott Pace, AR Pharmacy Association; Leigh Ann Chrouch, Michelle Hazelett, Doug Shackelford, Amy Tustison, Stella Greene, Donna Cook, Paige Harrington, Sherri Saxby, Jane Young, Amy Redd, Tracy Collins, Sherry Bryant, Shannon Roberts, Florence Marvin, Lori Eden, Kathy Johnson, Cathy Harris, EBD; Rhonda Hill, ACHI/EBD; Kathy Ryan, Ron Deberry, David Bridges, Barbara Melugin, ABCBS/Health Advantage; Wayne Whitley, Ronda Walthall, AR Highway & Transportation Dept, Karen Henson, AR Game & Fish Commission; Susan Walker, Data Path; PDB Enterprise; Barry Fielder, Shonda Rocke, Alicia Hayden, Informed Rx; Marc Watts, AR State Employee Association; Dwane Tankersley, Novasys; Joseph Chang, Securian; Sharon Marcum, LifeSynch; Diann Shoptaw, EBI; Steve Singleton, AR Retired Teachers Association

CALL TO ORDER

Meeting was called to order by Janis Harrison, Chairman

APPROVAL OF MINUTES

The request was made by Harrison to approve the January 19, 2010 minutes. McCook made the motion to approve minutes. Black seconded. All were in favor. Minutes approved.

COMMITTEE REPORTS

1. The Benefits Subcommittee Report

Lee presented the report for Jeff Altemus, Chairman.

The Benefits committee received a report from George Platt from the Benefits Strategic Planning Workgroup (BSPW). Dr. Herman Herd spoke to the workgroup about TMJ and they have asked him to attend the Benefits meeting in April to address the Benefits committee as well.

Cheiron presented the 2011 PSE Preliminary Active Rates. The Benefits subcommittee had no recommendations to present to the Board at this time.

2. Quality of Care Committee, Scott Pace, Chairman

Pace reported the committee met on March 3rd and the EBD staff presented members with a packet to be used as reference for future meetings. Materials included; previous HEDIS measure reports, sample of analytical data reports available to EBD, 2010 Schedule of Benefits, preventative care benefits and other assorted materials.

Pace reported the BSPW informed the quality committee that Medicare & Medicaid Services (CMS) are developing a list of proposed clinical for hospital and professionals. The workgroup will report at the next quality meeting on the proposed subset measures, assuming the final list has been determined by CMS.

Pace presented one recommendation for the Board's consideration:

Recommendation: To adopt the soon-to-be-approved list of Medicare / Medicaid clinical quality performances measures for both providers and hospitals.

McCook made the motion to approve. Mallory seconded. All were in favor. Motion carried.

FINANCIALS by Leigh Ann Chrouch

Chrouch presented detailed financial statements for the Arkansas State Employees (ASE) December 1, 2009 through January 31, 2010 and the Public School Employees (PSE) October 1, 2009 through January 31, 2010. Chrouch also presented the ASE Cafeteria Plan Financial for January 1, 2010 through January 31, 2010.

Chrouch provided a report of the penalties assessed for state and school agencies for October 2009 through January 2010.

2011 PSE PRELIMINARY ACTIVE RATES by John Colberg, Cheiron

Colberg provided an overview of the preliminary PSE Active rates for 2010-2011. Colberg went over the highlights, basis for underwriting and rate development. The information was presented in two formats; prior presentation format and revised presentation format.

The Board viewed rating options with no benefit change or any additional reserve allocation, full creditability to Novasys/HDPPO, baseline with non-Medicare Retirees Blend.

Lee said if the non-Medicare Retirees blend is considered for the PSE Active & Retiree group, he proposes that they consider this “blending” to be a three year pilot program and that the rating separation would automatically happen in Plan Year 2014 unless they continue this rating approach.

A discussion ensued about the 50% / 30% / 20% allocation rule.

Dr. Kumpuris requested information on the historical view for establishing the rates in the previous years and how much reserve they want to conserve. Kumpuris said they need to know the historically background so they can get a sense of where they are headed.

Dr. Thompson suggested the Board get the thoughts of the education representatives (AR Education Association (AEA) and AR Retired Teacher Association (ARTA) on the non –Medicare retiree blend option. Thompson suggested they ask them to attend the next meeting.

Lee said he would provide the information requested by Dr. Kumpuris, starting with the 2004 plan year. Harrison requested the information be provided to the Board via-email prior to the meeting.

DIRECTOR REPORT *by Jason Lee*

Lee described an incident where the generic alternative was not available to the member.

McCook made the motion: The Executive Director has the authority to temporarily roll back the co-pay tier for a name brand medication when the production or distribution of the new generic alternative experiences a significant and verified disruption. Roll back period is not to exceed 90 days but can be shorter based on the circumstances of the disruption. Dr. Thompson seconded. All were in favor. Motion carried.

The Board reviewed a letter of complaint from a member regarding the drug Lipitor. Lee informed the Board they have provided the member with some educational information about generic alternatives.

Meeting Adjourned.

AGENDA

**State and Public School
Life and Health Insurance Board
EBD Board Room
501 Building, 5th Floor
1 p.m.
March 9, 2010**

- 1. Call to Order** *Janis Harrison, Chairman*
- 2. Approval of Minutes** *Janis Harrison, Chairman*
- 3. Committee Reports**
- Benefits Subcommittee* *Jeff Altemus, Chairman*
- Quality of Care* *Scott Pace, Chairman*
- 4. Financials** *Leigh Ann Chrouch, CFO-EBD*
- 5. 2011 PSE Preliminary Active Rates** *John Colberg, Cheiron*
- 6. Director's Report** *Jason Lee, EBD*

**Next Meeting
April 13th**

State and Public School Life and Health Insurance Board

Quality of Care Sub-Committee Report

Meeting Date: March 3, 2010

Packet of documents was given to committee members to be used as reference for future meetings and conversations.

Material included: previous HEDIS measure reports, sample of analytical data reports available to EBD, 2010 Schedule of Benefits, Preventative care benefits, and other assorted material.

Report provided by George Platt from the Benefit Strategic Planning Workgroup and recommendation:

To adopt a subset of the soon-to-be-approved list of Medicare / Medicaid clinical quality performance measures for both providers and hospital.

Workgroup to report at next meeting on proposed subset of measures, assuming that final list has been determined by CMS

Public School Employees (PSE) Financials - October 1, 2009 through December 31, 2009

	ARHealth	Health Adv	NovaSys	Total
Actives		37,741	3,739	41,480
Actives HD			2,492	2,492
Retirees	7,114			7,114
COBRA		1,023	114	1,137
Total	7,114	38,764	6,345	52,223

Operations as of 12/31/09

Funding	Current Month	Year to Date (3 months)
District Contribution	\$ 5,762,428	\$ 17,262,918
Employee Contribution, Rebates	\$ 12,400,846	\$ 36,911,443
Dept of Ed \$35,000,000 & \$15,000,000	\$ 3,181,818	\$ 13,295,455
Total Funding	\$ 21,345,092	\$ 67,469,815
Expenses		
Medical Expenses:		
Claims Expense	\$ 15,431,469	\$ 44,640,113
Claims IBNR	\$ -	
Medical Admin Fees	\$ 1,286,237	\$ 3,842,299
Refunds	\$ (7,119)	\$ (22,554)
Behavioral Health	\$ 312,251	\$ 936,614
Pharmacy Expenses:		
RX Claims	\$ 4,396,413	\$ 12,517,954
RX IBNR	\$ -	
RX Admin	\$ 68,012	\$ 197,486
Plan Administration	\$ 642,521	\$ 1,013,846
Total Expenses	\$ 22,129,784	\$ 63,125,758
Net Income/(Loss)	\$ (784,692)	\$ 4,344,057
Reserve Activity:		
Allocation for Active Premiums for Plan Yr 10/01/09-09/30/10	\$ 166,667	\$ 500,001
Allocation for Retiree Premiums for Plan Yr 01/01/09-12/31/09	\$ 350,000	\$ 1,050,000
Net Income/(Loss) After Reserves	\$ (268,025)	\$ 5,894,058

Balance Sheet as of 12/31/09

Assets	
Bank Account	\$ 14,541,365
State Treasury	\$ 59,440,947
Receivable from Provider	\$ 442,015
Accounts Receivable	\$ 267,067
Due from ASE	\$ 741,289
Total Assets	\$ 75,432,682
Liabilities	
Accounts Payable	\$ 2,730,366
Due to ASE	
Deferred Revenues	\$ 1,473,617
Health IBNR	\$ 22,250,000
RX IBNR	\$ 2,250,000
Total Liabilities	\$ 28,703,983
Net Assets	\$ 46,728,699
Less Reserves Allocated:	
Retiree Premiums for Plan Year 01/01/09-12/31/09 (original allocation \$4,200,000)	\$ -
Active Premiums for Plan Year 10/01/09-09/30/10 (original allocation \$2,000,000)	\$ (1,499,999)
Retiree Premiums for Plan Year 01/01/10-12/31/10 (\$4,000,000+600,823 = \$4,600,823)	\$ (4,600,823)
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	\$ 24,027,877

Public School Employees (PSE) Financials - October 1, 2009 through January 31, 2010

	ARHealth	Health Adv	NovaSys	Total
Actives		37,771	3,731	41,502
Actives HD			2,503	2,503
Retirees	7,220			7,220
COBRA		912	100	1,012
Total	7,220	38,683	6,334	52,237

Operations as of 1/31/10

	Current Month	Year to Date (4 months)
Funding		
District Contribution	\$ 5,767,406	\$ 23,030,324
Employee Contribution, Rebates	\$ 12,301,713	\$ 49,213,156
Dept of Ed \$35,000,000 & \$15,000,000	\$ 6,931,818	\$ 20,227,273
Total Funding	\$ 25,000,937	\$ 92,470,753
Expenses		
Medical Expenses:		
Claims Expense	\$ 12,795,002	\$ 57,435,115
Claims IBNR	\$ -	
Medical Admin Fees	\$ 1,164,432	\$ 5,006,732
Refunds	\$ 8,369	\$ (14,185)
Behavioral Health	\$ 311,584	\$ 1,248,198
Pharmacy Expenses:		
RX Claims	\$ 4,207,305	\$ 16,725,259
RX IBNR	\$ -	
RX Admin	\$ 62,072	\$ 259,558
Plan Administration	\$ 271,148	\$ 1,284,994
Total Expenses	\$ 18,819,913	\$ 81,945,672
Net Income/(Loss)	\$ 6,181,024	\$ 10,525,081
Reserve Activity:		
Allocation for Active Premiums for Plan Yr 10/01/09-09/30/10	\$ 166,667	\$ 666,668
Retiree Premiums for Plan Year 01/01/10-12/31/10	\$ 383,402	\$ 383,402
Net Income/(Loss) After Reserves	\$ 6,731,093	\$ 11,575,151

Balance Sheet as of 1/31/10

Assets	
Bank Account	\$ 20,766,651
State Treasury	\$ 59,465,771
Receivable from Provider	\$ 442,015
Accounts Receivable	\$ 464,068
Due from ASE	
Total Assets	\$ 81,138,504
Liabilities	
Accounts Payable	\$ 2,238,676
Due to ASE	
Deferred Revenues	\$ 1,490,105
Health IBNR	\$ 22,250,000
RX IBNR	\$ 2,250,000
Total Liabilities	\$ 28,228,781
Net Assets	\$ 52,909,723
Less Reserves Allocated:	
Active Premiums for Plan Year 10/01/09-09/30/10 (original allocation \$2,000,000)	\$ (1,333,332)
Retiree Premiums for Plan Year 01/01/10-12/31/10 (\$4,000,000+600,823 = \$4,600,823)	\$ (4,217,421)
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	\$ 30,758,970

Arkansas State Employees (ASE) Financials - January 1, 2009 through December 31, 2009

	ARHealth	Health Adv	NovaSys	Total
Actives		24,831	1,223	26,054
Actives HD			888	888
Retirees	8,525			8,525
COBRA		93	12	105
Total	8,525	24,924	2,123	35,572

Operations as of 12/31/09

	Current Month	Year to Date (12 months)
Funding		
State Contribution	\$ 13,598,390	\$ 152,817,354
Employee Contribution, Rebates, Life	\$ 7,910,315	\$ 91,578,055
Medicare Subsidy	\$ -	\$ 2,692,318
Total Funding	\$ 21,508,705	\$ 247,087,727
Expenses		
Medical Expenses		
Claims Expense	\$ 13,124,739	\$ 148,691,920
Claims IBNR	\$ -	
Medical Admin Fees	\$ 897,155	\$ 9,896,046
Refunds	\$ 11,689	\$ 100,398
Behavioral Health	\$ 280,188	\$ 3,344,458
Life Insurance	\$ 79,301	\$ 944,285
Pharmacy Expenses		
RX Claims	\$ 5,025,426	\$ 56,126,036
RX IBNR	\$ -	
RX Admin	\$ 54,795	\$ 834,901
Plan Administration	\$ 527,835	\$ 3,186,670
Total Expenses	\$ 20,001,127	\$ 223,124,715
Net Income/(Loss)	\$ 1,507,578	\$ 23,963,012
Reserve Activity:		
Allocation for Active Premiums for Plan Yr 01/01/09-12/31/09	\$ 541,663	\$ 6,500,000
Allocation for Retiree Premiums for Plan Yr 01/01/09-12/31/09	\$ 116,663	\$ 1,400,000
Net Income/(Loss) After Reserves	\$ 2,165,904	\$ 31,863,012

Balance Sheet as of 12/31/09

Assets	
Bank Account	\$ 11,558,592
State Treasury	\$ 73,903,247
Receivable from Cafeteria Plan	\$ 2,470,044
Receivable from PSE	\$ -
Receivable from Provider	\$ 498,238
Receivable from Medicare	
Accounts Receivable	\$ 573,799
Total Assets	\$ 89,003,920
Liabilities	
Accounts Payable	\$ 3,001,106
Deferred Revenues	\$ 4,258,777
Due to Cafeteria	\$ 20
Due to PSE	\$ 741,289
Health IBNR	\$ 19,000,000
RX IBNR	\$ 2,500,000
Total Liabilities	\$ 29,501,191
Net Assets	\$ 59,502,729
Less Reserves Allocated:	
Active Premiums for Plan Year 01/01/09-12/31/09 (original allocation \$6,500,000)	\$ -
Retiree Premiums for Plan Year 01/01/09-12/31/09 (original allocation \$1,400,000)	\$ -
Catastrophic Reserve	\$ (7,900,000)
Pharmacy Reward Program (2009-\$1,500,000)	\$ (1,500,000)
Net Assets Available	\$ 50,102,729

ASE Cafeteria Plan Financials 2009- January 1, 2009 through December 31, 2009

Cafeteria Plan Operations as of 12/31/09

Funding	Current Month	Year to Date (12 months)
FICA Savings	\$ 372,871	\$ 4,255,346
Interest, Penalties, Tax Set Off	\$ 2,456	\$ 57,131
Total Funding	\$ 375,327	\$ 4,312,478
Expenses		
Plan Administration	\$ 20,977	\$ 249,057
Forfeited Benefits (Annual Expense)	\$ -	\$ 3,384,574
FICA Savings Transfer (Annual Expense)	\$ -	\$ -
Total Expenses	\$ 20,977	\$ 3,633,631
Net Income/(Loss)	\$ 354,350	\$ 678,847

Balance Sheet as of 12/31/09

Assets		
State Cafeteria (Flexible Benefits)		\$ 1,210,195
Admin Acct (FICA Savings)		\$ 454,588
State Treasury		\$ 5,700,731
Due from Health Plan		\$ 20
Due from State Employee Fund		
Accounts Receivable		\$ 15,023
Total Assets		\$ 7,380,558
Liabilities		
Accounts Payable		\$ 598,732
Due to Health Plan (FICA Savings Annual)		\$ 32
Due to Health Plan (Forfeited Benefits Annual)		\$ 2,470,012
Total Liabilities		\$ 3,068,776
Net Assets		\$ 4,311,782

Arkansas State Employees (ASE) Financials - January 1, 2010 through January 31, 2010

	ARHealth	Health Adv	NovaSys	Total
Actives		25,551	1,224	26,775
Actives HD			890	890
Retirees	8,531			8,531
COBRA		128	11	139
Total	8,531	25,679	2,125	36,335

Operations as of 01/31/10

	Current Month	Year to Date (1 month)
Funding		
State Contribution	\$ 13,589,398	\$ 13,589,398
Employee Contribution, Rebates, Life	\$ 7,160,468	\$ 7,160,468
Medicare Subsidy	\$ -	\$ -
Total Funding	\$ 20,749,866	\$ 20,749,866
Expenses		
Medical Expenses		
Claims Expense	\$ 10,553,005	\$ 10,553,005
Claims IBNR	\$ -	
Medical Admin Fees	\$ 806,034	\$ 806,034
Refunds	\$ (579)	\$ (579)
Behavioral Health	\$ 284,917	\$ 284,917
Life Insurance	\$ 79,714	\$ 79,714
Pharmacy Expenses		
RX Claims	\$ 4,823,172	\$ 4,823,172
RX IBNR	\$ -	
RX Admin	\$ 68,571	\$ 68,571
Plan Administration	\$ 183,042	\$ 183,042
Total Expenses	\$ 16,797,877	\$ 16,797,877
Net Income/(Loss)	\$ 3,951,989	\$ 3,951,989

Balance Sheet as of 01/31/10

Assets	
Bank Account	\$ 14,982,022
State Treasury	\$ 73,934,111
Receivable from Cafeteria Plan	\$ 2,470,055
Receivable from PSE	
Receivable from Provider	\$ 498,238
Receivable from Medicare	
Accounts Receivable	\$ 696,100
Total Assets	\$ 92,580,526
Liabilities	
Accounts Payable	\$ 2,511,957
Deferred Revenues	\$ 4,249,228
Due to Cafeteria	
Due to PSE	
Health IBNR	\$ 19,000,000
RX IBNR	\$ 2,500,000
Total Liabilities	\$ 28,261,185
Net Assets	\$ 64,319,342
Less Reserves Allocated:	
Catastrophic Reserve	\$ (8,100,000)
Pharmacy Reward Program (2009-\$1,500,000)	\$ (1,500,000)
Net Assets Available	\$ 54,719,342

ASE Cafeteria Plan Financials 2010- January 1, 2010 through January 31, 2010

Cafeteria Plan Operations as of 1/31/10

Funding	Current Month	Year to Date (1 month)
FICA Savings	\$ 355,984	\$ 355,984
Interest, Penalties, Tax Set Off	\$ 3,035	\$ 3,035
Total Funding	\$ 359,019	\$ 359,019
Expenses		
Plan Administration	\$ 902	\$ 902
Forfeited Benefits (Annual Expense)	\$ -	
FICA Savings Transfer (Annual Expense)	\$ -	
Total Expenses	\$ 902	\$ 902
Net Income/(Loss)	\$ 358,117	\$ 358,117

Balance Sheet as of 1/31/10

Assets	
State Cafeteria (Flexible Benefits)	\$ 978,989
Admin Acct (FICA Savings)	\$ 790,542
State Treasury	\$ 5,703,046
Due from Health Plan	
Due from State Employee Fund	
Accounts Receivable	\$ 15,023
Total Assets	\$ 7,487,600
Liabilities	
Accounts Payable	\$ 347,646
Due to Health Plan (FICA Savings Annual)	\$ 43
Due to Health Plan (Forfeited Benefits Annual)	\$ 2,470,012
Total Liabilities	\$ 2,817,701
Net Assets	\$ 4,669,899

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
Hopy 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

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
Arkansas Abstractor's Board of Examiners	State contribution not received by January 31, 2010	\$100

Payments due by March 31, 2010

\$656

SCHOOL DISTRICT PENALTIES ASSESSED FOR DECEMBER 2009

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

District Name	Description of Violation	Penalty Assessed	
Armored School District	December Historical Billing Report and payment not received by December 31, 2009	\$108	PAID
Fordyce School District	December Historical Billing Report and payment not received by December 31, 2009	\$176	
Yellville-Summit School District	December Historical Billing Report and payment not received by December 31, 2009	\$166	PAID

STATE AGENCY PENALTIES ASSESSED FOR DECEMBER 2009

Agency Name	Description of Violation	Penalty Assessed	
Arkansas Department of Higher Education	State contribution not received by December 31, 2009	\$100	PAID
Arkansas Towing and Recovery Board	State contribution not received by December 31, 2009	\$100	PAID

Payments due by February 28, 2010

\$650

SCHOOL DISTRICT PENALTIES ASSESSED FOR NOVEMBER 2009

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

District Name	Description of Violation	Penalty Assessed	
School of Excellence	November Historical Billing Report and payment not received by November 30, 2009	\$100	PAID

STATE AGENCY PENALTIES ASSESSED FOR NOVEMBER 2009

Agency Name	Description of Violation	Penalty Assessed	
Arkansas Psychology Board	State contribution not received by November 30, 2009	\$100	PAID
Arkansas Department of Veteran Affairs	State contribution not received by November 30, 2009	\$256	PAID
Arkansas Abstractor's Board of Examiners	State contribution not received by November 30, 2009	\$100	PAID
Arkansas Educational Television Network	State contribution not received by November 30, 2009	\$204	PAID
Arkansas State Library	State contribution not received by November 30, 2009	\$100	PAID

Payments due by January 31, 2010

\$860

SCHOOL DISTRICT PENALTIES ASSESSED FOR OCTOBER 2009

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

District Name	Description of Violation	Penalty Assessed	
School of Excellence	October Historical, Billing Report and payment not received by October 31, 2009	\$100	PAID

STATE AGENCY PENALTIES ASSESSED FOR OCTOBER 2009

Agency Name	Description of Violation	Penalty Assessed	
Arkansas Psychology Board	State contribution not received by October 31, 2009	\$100	PAID
Arkansas Department of Veteran Affairs	State contribution not received by October 31, 2009	\$256	PAID

Payments due by December 31, 2009

\$456

Arkansas Public School Employees Health Benefits Program

Preliminary PSE Active Rates for 2010-2011

John Colberg, FSA
Karen Mallett, FSA

March 9, 2010





Topics

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Highlights

- o Active employee rating tiers and relativities remain unchanged

o Rate Increase	<u>2009 - 2010</u>	<u>2010 - 2011</u>
Health Advantage	1%	6%
NovaSys ARHealth	2%	4%
NovaSys HDPPO	-5%	4%
Rx	3%	12%
Corp Health ^[1]	0%	0%

o Funding	<u>2009 - 2010</u>	<u>2010 - 2011</u>
Base (per employee)	\$131.00	\$131.00
Act 1842	\$35M	\$35M
Act 1421	\$15M	\$15M
Reserve	\$4M	\$0M ^[2]

[1] Assumed no rate change for Corp Health. Final Corp Health rates will be available on or after 4/1/10.

[2] 30% of the \$4M reserve is carried into 2010 - 2011.



Basis for Underwriting

- o Health Advantage and Novasys underwriting is based on claims incurred between January 2009 and December 2009 (paid through December 2009)
- o Pharmacy underwriting is based on claims paid between January 2009 and December 2009
- o Underwriting is performed at the benefit administrator level
- o Maintained current \$11.20 retiree subsidy
- o Maintained current vendor fees; updated EBD administrative costs.
- o Assumed no benefit changes
- o Assumed annual trends

	<u>2009 - 2010</u>	<u>2010 - 2011</u>
Medical	7.0%	7.0%
Prescription Drug	9.0%	9.0%
Behavioral Health/EAP	0.0%	0.0%



Rate Development

Category		Health Advantage		NovaSys		Informed Rx
		AR Health	AR Health	AR Health HD PPO	Total	Total
Incurred Claims ¹		\$137,793,513	\$21,520,287	\$4,142,383	\$25,662,671	\$45,712,641
Member Months	/	630,593	79,960	39,740	119,700	750,293
Incurred PMPM	=	\$218.51	\$269.14	\$104.24	\$214.39	\$60.93
10/2009 -> 09/2010 Benefit Changes	x	1.008	1.008	1.008	1.008	1.000
10/2010 -> 09/2011 Benefit Changes	x	1.000	1.000	1.000	1.000	1.000
Trend Factor	x	1.126	1.126	1.126	1.126	1.163
Demographic Change Factor	x	<u>0.990</u>	<u>0.990</u>	<u>0.990</u>	<u>0.920</u>	<u>0.990</u>
Trended Adjusted Incurred PMPM	=	\$245.43	\$302.40	\$117.15	\$223.96	\$70.14
Current Subscribers		38,776	3,829	2,515		45,120
Members / Subscribers	x	<u>1.41</u>	<u>1.42</u>	<u>1.59</u>		<u>1.42</u>
Net Claims PEPM		\$346.57	\$428.92	\$185.81		\$99.76
Vendor Admin Fees ²	+	\$27.13	\$13.90	\$13.90		\$1.45
Plan Administration ²	+	<u>\$9.26</u>	<u>\$9.26</u>	<u>\$9.26</u>		<u>\$0.00</u>
Total Administrative Costs PEPM	=	\$36.39	\$23.16	\$23.16		\$1.45
Gross Claims PEPM for Rating Period (Calculated)	=	\$382.96	\$452.08	\$208.97	\$355.70	\$101.21
Premium Rate PEPM (as of 03/2010)	/	\$360.11	\$386.83	\$274.38	\$354.05	\$90.34
Required Increase (Calculated)		6.3%	16.9%	-23.8%	0.5%	12.0%
Required Increase (Blended)		6.3%	4.0%	3.8%	0.5%	12.0%

[1] Medical incurred claims for the period 1/09 through 12/09 with payments through 12/09. Rx paid claims for the period 1/09 through 12/09.

[2] Vendor admin fees are at 2010 level. Plan administration is updated to reflect 2011 admin costs.



State Contributions

	Medical	Prescription Drug	Corp Health	Retirement Subsidy	Total Monthly Premium	Base	Act 1842	Act 1421	Reserve Allocation	2011 Monthly Employee Cost	2010 Total EE Cost	Change in EE Premiums		Eligibility Snapshot (Subscribers) Dec-09
												\$	%	
Actives														
Employee Only														
Health Advantage	\$300.42	\$80.32	\$6.04	\$11.20	\$397.98	(\$131.00)	(\$57.59)	(\$24.68)	(\$1.97)	\$182.73	\$152.69	\$30.04	20%	30,233
Novasys	315.26	80.32	6.04	11.20	412.82	(131.00)	(57.59)	(24.68)	(1.97)	197.57	173.33	24.24	14%	3,009
Novasys HD PPO	207.61	55.62	6.04	11.20	280.47	(131.00)	(57.59)	(24.68)	(1.97)	65.22	48.19	17.03	35%	1,834
Employee & Spouse														
Health Advantage	\$838.14	\$224.10	\$9.08	\$11.20	\$1,082.53	(\$131.00)	(\$102.40)	(\$43.89)	(\$3.51)	\$801.73	\$721.45	\$80.28	11%	1,596
Novasys	879.56	224.10	9.08	11.20	1,123.94	(131.00)	(102.40)	(43.89)	(3.51)	843.14	779.05	64.09	8%	114
Novasys HD PPO	579.24	155.18	9.08	11.20	754.70	(131.00)	(102.40)	(43.89)	(3.51)	473.91	429.93	43.98	10%	155
Employee & Child(ren)														
Health Advantage	\$540.73	\$144.57	\$7.86	\$11.20	\$704.36	(\$131.00)	(\$78.45)	(\$33.63)	(\$2.69)	\$458.59	\$406.05	\$52.54	13%	5,116
Novasys	567.44	144.57	7.86	11.20	731.08	(131.00)	(78.45)	(33.63)	(2.69)	485.31	443.21	42.10	9%	515
Novasys HD PPO	373.70	100.11	7.86	11.20	492.87	(131.00)	(78.45)	(33.63)	(2.69)	247.10	217.98	29.12	13%	234
Family														
Health Advantage	\$841.12	\$224.89	\$13.08	\$11.20	\$1,090.29	(\$131.00)	(\$106.04)	(\$45.45)	(\$3.63)	\$804.16	\$723.40	\$80.76	11%	1,831
Novasys	882.68	224.89	13.08	11.20	1,131.84	(131.00)	(106.04)	(45.45)	(3.63)	845.72	781.20	64.52	8%	191
Novasys HD PPO	581.30	155.72	13.08	11.20	761.30	(131.00)	(106.04)	(45.45)	(3.63)	475.17	430.84	44.33	10%	292
Est. Monthly Cost	\$16,964,044	\$4,517,119	\$305,159	\$505,344	\$22,291,666	(\$5,910,720)	(\$2,916,667)	(\$1,250,000)	(\$100,000)	\$12,114,280				45,120
Est Annual Cost	\$203,568,531	\$54,205,424	\$3,661,911	\$6,064,128	\$267,499,994	(\$70,928,640)	(\$35,000,000)	(\$15,000,000)	(\$1,200,000)	\$145,371,354				



Option 1 - Baseline

CHEIRON

Rating Options

CLAIMS & EXPENSES

Blend ASE & PSE

Non-Med. Retirees Yes

Medicare Retirees Yes

Combine NM Ret with Actives

ASE No

PSE No

Blend Novasys & HDPPO Yes

If yes, Novasys chg (ASE) 0.0%

If yes, Novasys chg (PSE) 4.0%

Manual Detail Override No

RATING FACTORS

Use Prior Tier Factors Yes

If no, factor approach: 1

1 = By Tier; 2 = By Member Status

If 2, blend children Yes

Rate Plans Separately Yes

If no, use separate factors for:

Combine ASE and PSE No

Benefit Factor Differences No

Geographic Differences No

Demographic Differences No

Basis for Demog. Factors: 1

1 = Age/Gender; 2 = Risk Scores

INCURRED EXPERIENCE PERIOD

	ASE	PSE
Start:	Jan-09	Jan-09
End:	Dec-09	Dec-09

Assumptions

	2010	2011	2012	2013
Inv Inc.	0.0%	0.0%	0.0%	0.0%
Salary	0.0%	0.0%	0.0%	0.0%
<i>Trends:</i>				
Medical	7.0%	7.0%	7.0%	7.0%
Medicare	5.0%	5.0%	5.0%	5.0%
Rx	9.0%	9.0%	9.0%	9.0%
Other	0.0%	0.0%	0.0%	0.0%

DETAILED EXPERIENCE TESTING
To PSE Active Rates

RATES	2011		Actives		Total Rate	
	PSE					
	Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A
CURRENT						
Health Adv	371.44	1,008.46	656.58	1,015.95	N/A	N/A
Novasys	392.08	1,066.06	693.74	1,073.75	N/A	N/A
HD PPO	266.94	716.94	468.50	723.39	N/A	N/A
REVISED						
Health Adv	397.98	1,082.53	704.36	1,090.29	N/A	N/A
Novasys	412.82	1,123.94	731.08	1,131.84	N/A	N/A
HD PPO	280.47	754.70	492.87	761.30	N/A	N/A
CHANGE						
Health Adv	26.54	74.07	47.78	74.34	N/A	N/A
Novasys	20.74	57.88	37.34	58.09	N/A	N/A
HD PPO	13.53	37.76	24.37	37.91	N/A	N/A

Financial Forecast: PSE

Plan Year Ending	2010	2011	2012	2013
Avg # Enrolled	72,090	72,101	72,101	72,101
Income (in millions)				
- State/District	\$120.5	\$120.9	\$120.9	\$120.9
- Active Contribution	131.3	145.4	163.6	183.5
- Retiree Contribution	14.1	21.5	24.5	27.9
- Other Income	1.5	1.1	1.1	1.2
Total Income	\$267.4	\$288.9	\$310.1	\$333.6
Total Claims & Exp.	(\$263.0)	(\$285.5)	(\$305.2)	(\$325.9)
Annual Gain/(Loss)	\$4.4	\$3.3	\$4.9	\$7.7
Assets at EOY	\$73.3	\$76.6	\$81.5	\$89.2
Net Assets	\$44.6	\$45.9	\$49.0	\$54.8

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



Option 1 - Baseline

CHEIRON		Participant Contributions				H-scan					
ALLOCATED RESERVES											
ASE -PYE		2010	2011	2012	2013						
Actives - 12/31		\$0.00	\$0.00	\$0.00	\$0.00						
Retiree NME -12/31		\$0.00	\$0.00	\$0.00	\$0.00						
Retiree ME -12/31		\$0.00	\$0.00	\$0.00	\$0.00						
PSE -- PYE		2010	2011	2012	2013						
Actives - 9/30		\$2.00	\$1.20	\$0.80	\$0.0						
Retiree NME -12/31		\$2.20	\$1.32	\$0.88	\$0.0						
Retiree ME -12/31		\$1.80	\$1.08	\$0.72	\$0.0						
RETIREE SUBSIDY FROM ACTIVES											
PSE		\$11.20	\$11.20	\$11.20	\$11.20						
STATE/EMPLOYER FUNDING											
ASE		2010	2011	2012	2013						
Base Contr.		\$390	\$390	\$390	\$390						
% for Ee		76%	75%	75%	75%						
% for Dep		51%	50%	50%	50%						
PSE		2010	2011	2012	2013						
Base Contr.		\$131	\$131	\$131	\$131						
Act 1842(\$mil)		\$35.0	\$35.0	\$35.0	\$35.0						
Act 1421(\$mil)		\$15.0	\$15.0	\$15.0	\$15.0						
Other(\$mil)		\$0.0	\$0.0	\$0.0	\$0.0						
RATES	2011	Actives		Participant Contrib.			Financial Forecast:				
		PSE					PSE				
BASELINE		Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A	Plan Year Ending	2010	2011	2012
Health Adv		152.70	721.46	406.06	723.40	N/A	N/A	Avg # Enrolled	72,090	72,101	72,101
Novasys		173.34	779.06	443.22	781.20	N/A	N/A	Income (in millions)			
HD PPO		48.20	429.94	217.98	430.84	N/A	N/A	- State/District	\$120.5	\$120.9	\$120.9
REVISED								- Active Contribution	131.3	145.4	163.6
Health Adv		182.73	801.73	458.59	804.16	N/A	N/A	- Retiree Contribution	14.1	21.5	24.5
Novasys		197.57	843.14	485.31	845.72	N/A	N/A	- Other Income	1.5	1.1	1.1
HD PPO		65.22	473.91	247.10	475.17	N/A	N/A	Total Income	\$267.4	\$288.9	\$310.1
CHANGE								Total Claims & Exp.	\$263.0	\$285.5	\$305.2
Health Adv		30.03	80.27	52.53	80.76	N/A	N/A	Annual Gain/(Loss)	\$4.4	\$3.3	\$4.9
Novasys		24.23	64.08	42.09	64.52	N/A	N/A	Assets at EOY	\$73.3	\$76.6	\$81.5
HD PPO		17.02	43.97	29.12	44.33	N/A	N/A	Net Assets	\$44.6	\$45.9	\$49.0

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



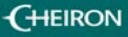
Option 1 – Baseline

Actives	Medical	Prescription Drug	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)		Most Recent Enrollment
Health Advantage														
Employee Only	\$300.42	\$80.32	\$6.04	\$11.20	\$397.98	\$57.59	\$24.68	\$1.97	\$131.00	\$182.73	\$152.69	\$30.04	20%	30,233
Employee & Spouse	838.14	224.10	9.08	11.20	1,082.53	102.40	43.89	3.51	131.00	801.73	721.45	80.28	11%	1,596
Employee & Child(ren)	540.73	144.57	7.86	11.20	704.36	78.45	33.63	2.69	131.00	458.59	406.05	52.54	13%	5,116
Family	841.12	224.89	13.08	11.20	1,090.29	106.04	45.45	3.63	131.00	804.16	723.40	80.76	11%	1,831
Est. Monthly Cost (\$ mil)	\$14.7	\$3.9	\$0.3	\$0.4	\$19.4	\$2.5	\$1.1	\$0.1	\$5.1	\$10.6				38,776
Novasys														
Employee Only	\$315.26	\$80.32	\$6.04	\$11.20	\$412.82	\$57.59	\$24.68	\$1.97	\$131.00	\$197.57	\$173.33	\$24.24	14%	3,009
Employee & Spouse	879.56	224.10	9.08	11.20	1,123.94	102.40	43.89	3.51	131.00	843.14	\$779.05	64.09	8%	114
Employee & Child(ren)	567.44	144.57	7.86	11.20	731.08	78.45	33.63	2.69	131.00	485.31	\$443.21	42.10	9%	515
Family	882.68	224.89	13.08	11.20	1,131.84	106.04	45.45	3.63	131.00	845.72	\$781.20	64.52	8%	191
Est. Monthly Cost (\$ mil)	\$1.5	\$0.4	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1				3,829
Novasys HD PPO														
Employee Only	\$207.61	\$55.62	\$6.04	\$11.20	\$280.47	\$57.59	\$24.68	\$1.97	\$131.00	\$65.22	\$48.19	\$17.03	35%	1,834
Employee & Spouse	579.24	155.18	9.08	11.20	754.70	102.40	43.89	3.51	131.00	473.91	429.93	43.98	10%	155
Employee & Child(ren)	373.70	100.11	7.86	11.20	492.87	78.45	33.63	2.69	131.00	247.10	217.98	29.12	13%	234
Family	581.30	155.72	13.08	11.20	761.30	106.04	45.45	3.63	131.00	475.17	430.84	44.33	10%	292
Est. Monthly Cost (\$ mil)	\$0.7	\$0.2	\$0.0	\$0.0	\$1.0	\$0.2	\$0.1	\$0.0	\$0.3	\$0.4				2,515
Total (Monthly) (\$ mil)	\$17.0	\$4.5	\$0.3	\$0.5	\$22.3	\$2.9	\$1.3	\$0.1	\$5.9	\$12.1				45,120
Est Annual Cost (\$ mil)	\$203.6	\$54.2	\$3.7	\$6.1	\$267.5	\$35.0	\$15.0	\$1.2	\$70.9	\$145.4				


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



Option 2 - Full Credibility to Novasys/HDPPO



Rating Options



CLAIMS & EXPENSES

Blend ASE & PSE

Non-Med. Retirees Yes

Medicare Retirees Yes

Combine NM Ret with Actives

ASE No

PSE No

Blend Novasys & HDPPO No

If yes, Novasys chg (ASE) 0.0%

If yes, Novasys chg (PSE) 4.0%

Manual Detail Override No

RATING FACTORS

Use Prior Tier Factors Yes

If no, factor approach: 1

1 = By Tier; 2 = By Member Status

If 2, blend children Yes

Rate Plans Separately Yes

If no, use separate factors for:

Combine ASE and PSE No

Benefit Factor Differences No

Geographic Differences No

Demographic Differences No

Basis for Demog. Factors: 1

1 = Age/Gender; 2 = Risk Scores

INCURRED EXPERIENCE PERIOD

	ASE	PSE
Start:	Jan-09	Jan-09
End:	Dec-09	Dec-09

Assumptions

	2010	2011	2012	2013
Inv Inc.	0.0%	0.0%	0.0%	0.0%
Salary	0.0%	0.0%	0.0%	0.0%
<i>Trends:</i>				
Medical	7.0%	7.0%	7.0%	7.0%
Medicare	5.0%	5.0%	5.0%	5.0%
Rx	9.0%	9.0%	9.0%	9.0%
Other	0.0%	0.0%	0.0%	0.0%

DETAILED EXPERIENCE TESTING

To PSE Active Rates

RATES	2011	Actives			Total Rate	
	PSE					
	Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A
CURRENT						
Health Adv	371.44	1,008.46	656.58	1,015.95	N/A	N/A
Novasys	392.08	1,066.06	693.74	1,073.75	N/A	N/A
HD PPO	266.94	716.94	468.50	723.39	N/A	N/A
REVISED						
Health Adv	397.98	1,082.53	704.36	1,090.29	N/A	N/A
Novasys	451.83	1,232.78	801.29	1,241.07	N/A	N/A
HD PPO	225.21	600.53	393.41	606.58	N/A	N/A
CHANGE						
Health Adv	26.54	74.07	47.78	74.34	N/A	N/A
Novasys	59.75	166.72	107.55	167.32	N/A	N/A
HD PPO	(41.73)	(116.41)	(75.09)	(116.81)	N/A	N/A

Financial Forecast: PSE

Plan Year Ending	2010	2011	2012	2013
Avg # Enrolled	72,090	72,101	72,101	72,101
Income (in millions)				
- State/District	\$120.5	\$120.9	\$120.9	\$120.9
- Active Contribution	131.3	145.3	163.5	183.4
- Retiree Contribution	14.1	21.5	24.5	27.9
- Other Income	1.5	1.1	1.1	1.2
Total Income	\$267.4	\$288.8	\$310.0	\$333.4
Total Claims & Exp.	(\$263.0)	(\$285.5)	(\$305.2)	(\$325.9)
Annual Gain/(Loss)	\$4.4	\$3.3	\$4.8	\$7.6
Assets at EOY	\$73.3	\$76.5	\$81.3	\$88.9
Net Assets	\$44.6	\$45.8	\$48.8	\$54.4

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



Option 2 - Full Credibility to Novasys/HDPPPO

CHEIRON

Participant Contributions

H-scan

ALLOCATED RESERVES				
ASE -PYE	2010	2011	2012	2013
Actives - 12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree NME -12/31	\$0.00	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$0.00	\$0.00	\$0.00	\$0.00

PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.0
Retiree NME -12/31	\$2.20	\$1.32	\$0.88	\$0.0
Retiree ME -12/31	\$1.80	\$1.08	\$0.72	\$0.0

RETIREE SUBSIDY FROM ACTIVES				
PSE	\$11.20	\$11.20	\$11.20	\$11.20

STATE/EMPLOYER FUNDING				
ASE	2010	2011	2012	2013
Base Contr.	\$390	\$390	\$390	\$390
% for Ee	76%	75%	75%	75%
% for Dep	51%	50%	50%	50%

PSE	2010	2011	2012	2013
Base Contr.	\$131	\$131	\$131	\$131
Act 1842(\$mil)	\$35.0	\$35.0	\$35.0	\$35.0
Act 1421(\$mil)	\$15.0	\$15.0	\$15.0	\$15.0
Other(\$mil)	\$0.0	\$0.0	\$0.0	\$0.0

RATES	2011	Actives		Participant Contrib.		
		Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A
BASELINE						
Health Adv	152.70	721.46	406.06	723.40	N/A	N/A
Novasys	173.34	779.06	443.22	781.20	N/A	N/A
HD PPO	48.20	429.94	217.98	430.84	N/A	N/A
REVISED						
Health Adv	182.73	801.73	458.59	804.16	N/A	N/A
Novasys	236.58	951.98	555.53	954.94	N/A	N/A
HD PPO	9.96	319.74	147.64	320.45	N/A	N/A
CHANGE						
Health Adv	30.03	80.27	52.53	80.76	N/A	N/A
Novasys	63.24	172.92	112.31	173.74	N/A	N/A
HD PPO	(38.24)	(110.20)	(70.34)	(110.39)	N/A	N/A

Financial Forecast:

Plan Year Ending	PSE		
	2010	2011	2012
Avg # Enrolled	72,090	72,101	72,101
Income (in millions)			
- State/District	\$120.5	\$120.9	\$120.9
- Active Contribution	131.3	145.3	163.5
- Retiree Contribution	14.1	21.5	24.5
- Other Income	1.5	1.1	1.1
Total Income	\$267.4	\$288.8	\$310.0
Total Claims & Exp.	\$263.0	\$285.5	\$305.2
Annual Gain/(Loss)	\$4.4	\$3.3	\$4.8
Assets at EOY	\$73.3	\$76.5	\$81.3
Net Assets	\$44.6	\$45.8	\$48.8

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




Option 2 - Full Credibility to Novasys/HDPPPO

Actives	Medical	Prescription Drug	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)		Most Recent Enrollment
Health Advantage														
Employee Only	\$300.42	\$80.32	\$6.04	\$11.20	\$397.98	\$57.59	\$24.68	\$1.97	\$131.00	\$182.73	\$152.69	\$30.04	20%	30,233
Employee & Spouse	838.14	224.10	9.08	11.20	1,082.53	102.40	43.89	3.51	131.00	801.73	721.45	80.28	11%	1,596
Employee & Child(ren)	540.73	144.57	7.86	11.20	704.36	78.45	33.63	2.69	131.00	458.59	406.05	52.54	13%	5,116
Family	841.12	224.89	13.08	11.20	1,090.29	106.04	45.45	3.63	131.00	804.16	723.40	80.76	11%	1,831
Est. Monthly Cost (\$ mil)	\$14.7	\$3.9	\$0.3	\$0.4	\$19.4	\$2.5	\$1.1	\$0.1	\$5.1	\$10.6				38,776
Novasys														
Employee Only	\$354.27	\$80.32	\$6.04	\$11.20	\$451.83	\$57.59	\$24.68	\$1.97	\$131.00	\$236.58	\$173.33	\$63.25	36%	3,009
Employee & Spouse	988.40	224.10	9.08	11.20	1,232.78	102.40	43.89	3.51	131.00	951.98	\$779.05	172.93	22%	114
Employee & Child(ren)	637.66	144.57	7.86	11.20	801.29	78.45	33.63	2.69	131.00	555.53	\$443.21	112.32	25%	515
Family	991.90	224.89	13.08	11.20	1,241.07	106.04	45.45	3.63	131.00	954.94	\$781.20	173.74	22%	191
Est. Monthly Cost (\$ mil)	\$1.7	\$0.4	\$0.0	\$0.0	\$2.1	\$0.2	\$0.1	\$0.0	\$0.5	\$1.3				3,829
Novasys HD PPO														
Employee Only	\$152.35	\$55.62	\$6.04	\$11.20	\$225.21	\$57.59	\$24.68	\$1.97	\$131.00	\$9.96	\$48.19	(\$38.23)	-79%	1,834
Employee & Spouse	425.07	155.18	9.08	11.20	600.53	102.40	43.89	3.51	131.00	319.74	429.93	(110.19)	-26%	155
Employee & Child(ren)	274.24	100.11	7.86	11.20	393.41	78.45	33.63	2.69	131.00	147.64	217.98	(70.34)	-32%	234
Family	426.58	155.72	13.08	11.20	606.58	106.04	45.45	3.63	131.00	320.45	430.84	(110.39)	-26%	292
Est. Monthly Cost (\$ mil)	\$0.5	\$0.2	\$0.0	\$0.0	\$0.8	\$0.2	\$0.1	\$0.0	\$0.3	\$0.2				2,515
Total (Monthly) (\$ mil)	\$17.0	\$4.5	\$0.3	\$0.5	\$22.3	\$2.9	\$1.3	\$0.1	\$5.9	\$12.1				45,120
Est Annual Cost (\$ mil)	\$203.5	\$54.2	\$3.7	\$6.1	\$267.4	\$35.0	\$15.0	\$1.2	\$70.9	\$145.3				


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



Option 3 – Baseline with Non-Medicare Retirees Blended



Rating Options



CLAIMS & EXPENSES

Blend ASE & PSE

Non-Med. Retirees No

Medicare Retirees Yes

Combine NM Ret with Actives

ASE No

PSE Yes

Blend Novasys & HD PPO Yes

If yes, Novasys chg (ASE) 0.0%

If yes, Novasys chg (PSE) 4.0%

Manual Detail Override No C

RATING FACTORS

Use Prior Tier Factors Yes

If no, factor approach: 1

1 = By Tier; 2 = By Member Status

If 2, blend children Yes

Rate Plans Separately Yes

If no, use separate factors for:

Combine ASE and PSE No

Benefit Factor Differences No

Geographic Differences No

Demographic Differences No

Basis for Demog. Factors: 1

1 = Age/Gender; 2 = Risk Scores

INCURRED EXPERIENCE PERIOD

	ASE	PSE
Start:	Jan-09	Jan-09
End:	Dec-09	Dec-09

Assumptions

	2010	2011	2012	2013
Inv Inc.	0.0%	0.0%	0.0%	0.0%
Salary	0.0%	0.0%	0.0%	0.0%
<i>Trends:</i>				
Medical	7.0%	7.0%	7.0%	7.0%
Medicare	5.0%	5.0%	5.0%	5.0%
Rx	9.0%	9.0%	9.0%	9.0%
Other	0.0%	0.0%	0.0%	0.0%

C DETAILED EXPERIENCE TESTING

To PSE Active Rates v

RATES	2011	Actives	Total Rate			
	PSE					
	Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A
CURRENT						
Health Adv	371.44	1,008.46	656.58	1,015.95	N/A	N/A
Novasys	392.08	1,066.06	693.74	1,073.75	N/A	N/A
HD PPO	266.94	716.94	468.50	723.39	N/A	N/A
REVISED						
Health Adv	406.51	1,106.33	719.71	1,114.17	N/A	N/A
Novasys	416.58	1,134.42	737.84	1,142.36	N/A	N/A
HD PPO	283.07	761.96	497.55	768.58	N/A	N/A
CHANGE						
Health Adv	35.07	97.87	63.13	98.22	N/A	N/A
Novasys	24.50	68.36	44.10	68.61	N/A	N/A
HD PPO	16.13	45.02	29.05	45.19	N/A	N/A

Financial Forecast: PSE

Plan Year Ending	2010	2011	2012	2013
Avg # Enrolled	72,090	72,101	72,101	72,101
Income (in millions)				
- State/District	\$120.5	\$120.9	\$120.9	\$120.9
- Active Contribution	131.3	150.7	169.3	189.7
- Retiree Contribution	14.1	16.2	17.0	19.8
- Other Income	1.5	1.1	1.1	1.2
Total Income	\$267.4	\$288.9	\$308.4	\$331.7
Total Claims & Exp.	(\$263.0)	(\$285.5)	(\$305.2)	(\$325.9)
Annual Gain/(Loss)	\$4.4	\$3.4	\$3.2	\$5.8
Assets at EOY	\$73.3	\$76.7	\$79.9	\$85.7
Net Assets	\$44.6	\$45.9	\$47.4	\$51.3

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



Option 3 – Baseline with Non-Medicare Retirees Blended

CHEIRON		Participant Contributions				H-scan					
ALLOCATED RESERVES											
ASE -PYE		2010	2011	2012	2013						
Actives - 12/31		\$0.00	\$0.00	\$0.00	\$0.00						
Retiree NME -12/31		\$0.00	\$0.00	\$0.00	\$0.00						
Retiree ME -12/31		\$0.00	\$0.00	\$0.00	\$0.00						
PSE -- PYE											
		2010	2011	2012	2013						
Actives - 9/30		\$2.00	\$1.20	\$0.80	\$0.0						
Retiree NME -12/31		\$2.20	\$1.32	\$0.88	\$0.0						
Retiree ME -12/31		\$1.80	\$1.08	\$0.72	\$0.0						
RETIREE SUBSIDY FROM ACTIVES											
PSE		\$11.20	\$11.20	\$11.20	\$11.20						
STATE/EMPLOYER FUNDING											
ASE		2010	2011	2012	2013						
Base Contr.		\$390	\$390	\$390	\$390						
% for Ee		76%	75%	75%	75%						
% for Dep		51%	50%	50%	50%						
PSE											
		2010	2011	2012	2013						
Base Contr.		\$131	\$131	\$131	\$131						
Act 1842(\$mil)		\$35.0	\$35.0	\$35.0	\$35.0						
Act 1421(\$mil)		\$15.0	\$15.0	\$15.0	\$15.0						
Other(\$mil)		\$0.0	\$0.0	\$0.0	\$0.0						
RATES	2011	Actives		Participant Contrib.			Financial Forecast:				
		PSE					PSE				
BASELINE		Ee	Ee/Sp	Ee/Ch(n)	Fam	N/A	N/A	Plan Year Ending	2010	2011	2012
Health Adv		152.70	721.46	406.06	723.40	N/A	N/A	Avg # Enrolled	72,090	72,101	72,101
Novasys		173.34	779.06	443.22	781.20	N/A	N/A	Income (in millions)			
HD PPO		48.20	429.94	217.98	430.84	N/A	N/A	- State/District	\$120.5	\$120.9	\$120.9
REVISED							- Active Contribution	131.3	150.7	169.3	
Health Adv		191.26	825.53	473.95	828.05	N/A	N/A	- Retiree Contribution	14.1	16.2	17.0
Novasys		201.32	853.62	492.07	856.23	N/A	N/A	- Other Income	1.5	1.1	1.1
HD PPO		67.82	481.16	251.78	482.45	N/A	N/A	Total Income	\$267.4	\$288.9	\$308.4
CHANGE							Total Claims & Exp.	\$263.0	\$285.5	\$305.2	
Health Adv		38.56	104.07	67.89	104.65	N/A	N/A	Annual Gain/(Loss)	\$4.4	\$3.4	\$3.2
Novasys		27.98	74.56	48.85	75.03	N/A	N/A	Assets at EOY	\$73.3	\$76.7	\$79.9
HD PPO		19.62	51.22	33.80	51.61	N/A	N/A	Net Assets	\$44.6	\$45.9	\$47.4

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



Option 3 - Baseline with Non-Medicare Retirees Blended

Actives	Medical	Prescription Drug	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)	Most Recent Enrollment	
Health Advantage														
Employee Only	\$305.19	\$84.08	\$6.04	\$11.20	\$406.51	\$57.59	\$24.68	\$1.97	\$131.00	\$191.26	\$152.69	\$38.57	25%	30,233
Employee & Spouse	851.47	234.58	9.08	11.20	1,106.33	102.40	43.89	3.51	131.00	825.53	721.45	104.08	14%	1,596
Employee & Child(ren)	549.32	151.33	7.86	11.20	719.71	78.45	33.63	2.69	131.00	473.95	406.05	67.90	17%	5,116
Family	854.49	235.40	13.08	11.20	1,114.17	106.04	45.45	3.63	131.00	828.05	723.40	104.65	14%	1,831
Est. Monthly Cost (\$ mil)	\$15.0	\$4.1	\$0.3	\$0.4	\$19.8	\$2.5	\$1.1	\$0.1	\$5.1	\$11.0				38,776
Novasys														
Employee Only	\$315.26	\$84.08	\$6.04	\$11.20	\$416.58	\$57.59	\$24.68	\$1.97	\$131.00	\$201.32	\$173.33	\$27.99	16%	3,009
Employee & Spouse	879.56	234.58	9.08	11.20	1,134.42	102.40	43.89	3.51	131.00	853.62	\$779.05	74.57	10%	114
Employee & Child(ren)	567.44	151.33	7.86	11.20	737.84	78.45	33.63	2.69	131.00	492.07	\$443.21	48.86	11%	515
Family	882.68	235.40	13.08	11.20	1,142.36	106.04	45.45	3.63	131.00	856.23	\$781.20	75.03	10%	191
Est. Monthly Cost (\$ mil)	\$1.5	\$0.4	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1				3,829
Novasys HD PPO														
Employee Only	\$207.61	\$58.22	\$6.04	\$11.20	\$283.07	\$57.59	\$24.68	\$1.97	\$131.00	\$67.82	\$48.19	\$19.63	41%	1,834
Employee & Spouse	579.24	162.44	9.08	11.20	761.96	102.40	43.89	3.51	131.00	481.16	429.93	51.23	12%	155
Employee & Child(ren)	373.70	104.79	7.86	11.20	497.55	78.45	33.63	2.69	131.00	251.78	217.98	33.80	16%	234
Family	581.30	163.00	13.08	11.20	768.58	106.04	45.45	3.63	131.00	482.45	430.84	51.61	12%	292
Est. Monthly Cost (\$ mil)	\$0.7	\$0.2	\$0.0	\$0.0	\$1.0	\$0.2	\$0.1	\$0.0	\$0.3	\$0.4				2,515
Total (Monthly) (\$ mil)	\$17.2	\$4.7	\$0.3	\$0.5	\$22.7	\$2.9	\$1.3	\$0.1	\$5.9	\$12.6				45,120
Est Annual Cost (\$ mil)	\$206.4	\$56.7	\$3.7	\$6.1	\$272.8	\$35.0	\$15.0	\$1.2	\$70.9	\$150.7				

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



Option 3 - Baseline with Non-Medicare Retirees Blended

Retirees	Medical	Prescription Drug	Corp Health	Medicare Retiree Subsidy	Total Monthly Premium	Subsidy from Active Employees	Reserve Allocation			2011 Total Cost	2010 Total Cost	Change in Retiree Premiums (\$ / %)	Most Recent Enrollment
Non-Medicare Eligible													
Retiree Only	\$310.40	\$85.91	\$6.04	\$11.20	\$413.55	\$0.00	\$57.89			\$355.65	\$527.62	(\$171.97) -33%	1,686
Retiree & NME SP	865.99	239.69	9.08	11.20	1,125.96	0.00	57.89			1,068.07	1,213.72	(145.65) -12%	201
Retiree & Child(ren)	558.69	154.63	7.86	11.20	732.38	0.00	57.89			674.49	939.28	(264.79) -28%	11
Retiree & NME SP & CH	869.07	240.53	13.08	11.20	1,133.88	0.00	57.89			1,075.98	1,900.80	(824.82) -43%	2
Retiree & ME SP	472.04	85.91	6.04	11.20	575.19	0.00	57.89			517.30	674.59	(157.29) -23%	-
Retiree & ME SP & CH	719.55	154.63	7.86	11.20	893.24	0.00	57.89			835.34	1,087.73	(252.39) -23%	-
Est. Monthly Cost (\$ mil)	\$0.7	\$0.2	\$0.0	\$0.0	\$0.9	\$0.0	\$0.1			\$0.8			1,900
Medicare Eligible													
Retiree Only	\$173.52	Not Offered	Not Offered		\$173.52	\$101.02	\$17.26			\$55.24	\$50.92	\$4.32 8%	4,635
Retiree & NME SP	729.12	\$153.78	Not Offered		882.90	101.02	17.26			764.61	716.78	47.83 7%	134
Retiree & Child(ren)	421.82	68.72	Not Offered		490.54	101.02	17.26			372.25	450.43	(78.18) -17%	13
Retiree & NME SP & CH	732.19	154.62	Not Offered		886.81	101.02	17.26			768.53	1,116.29	(347.76) -31%	3
Retiree & ME SP	329.75	Not Offered	Not Offered		329.75	101.02	17.26			211.47	190.03	21.44 11%	426
Retiree & ME SP & CH	332.83	0.84	Not Offered		333.67	101.02	17.26			215.38	589.53	(374.15) -63%	2
Total Monthly Cost	\$1.1	\$0.0			\$1.1	\$0.5	\$0.1			\$0.5			5,213
Total (Est. Monthly)	\$1.8	\$0.2	\$0.0	\$0.0	\$2.0	\$0.5	\$0.2			\$1.3			7,113
Total (Est. Annual)	\$21.1	\$2.6	\$0.1	\$0.3	\$24.1	\$6.3	\$2.4			\$15.4			

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



Comparison of Rates

Actives	Total Monthly Premium			2010-2011 Total Cost (to Participants)		
	Option 1 - Baseline	Option 2 - Full Cred	Option 3 - Blend Ret.	Option 1 - Baseline	Option 2 - Full Cred	Option 3 - Blend Ret.
Health Advantage						
Employee Only	\$397.98	\$397.98	\$406.51	\$182.73	\$182.73	\$191.26
Employee & Spouse	1,082.53	1,082.53	1,106.33	801.73	801.73	825.53
Employee & Child(ren)	704.36	704.36	719.71	458.59	458.59	473.95
Family	1,090.29	1,090.29	1,114.17	804.16	804.16	828.05
Est. Monthly Cost (\$ mil)	\$19.4	\$19.4	\$19.8	\$10.6	\$10.6	\$11.0
Novasys						
Employee Only	\$412.82	\$451.83	\$416.58	\$197.57	\$236.58	\$201.32
Employee & Spouse	1,123.94	1,232.78	1,134.42	843.14	951.98	853.62
Employee & Child(ren)	731.08	801.29	737.84	485.31	555.53	492.07
Family	1,131.84	1,241.07	1,142.36	845.72	954.94	856.23
Est. Monthly Cost (\$ mil)	\$2.0	\$2.1	\$2.0	\$1.1	\$1.3	\$1.1
Novasys HD PPO						
Employee Only	\$280.47	\$225.21	\$283.07	\$65.22	\$9.96	\$67.82
Employee & Spouse	754.70	600.53	761.96	473.91	319.74	481.16
Employee & Child(ren)	492.87	393.41	497.55	247.10	147.64	251.78
Family	761.30	606.58	768.58	475.17	320.45	482.45
Est. Monthly Cost (\$ mil)	\$1.0	\$0.8	\$1.0	\$0.4	\$0.2	\$0.4
Total (Monthly) (\$ mil)	\$22.3	\$22.3	\$22.7	\$12.1	\$12.1	\$12.6
Est Annual Cost (\$ mil)	\$267.5	\$267.4	\$272.8	\$145.4	\$145.3	\$150.7



Appendix A – 2009-2010 Final Rate Details

Actives	Medical	Prescription Drug	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2010 Total EE Cost	2009 Total EE Cost	Change in Retiree Premiums (\$ / %)	Most Recent Enrollment
Health Advantage													
Employee Only	\$282.49	\$71.70	\$6.04	\$11.20	\$371.43	\$58.93	\$25.42	\$3.39	\$131.00	\$152.69	\$180.36	(\$27.67) -15%	28,411
Employee & Spouse	788.13	200.04	9.08	11.20	1,008.45	104.77	45.20	6.03	131.00	721.45	770.62	(49.17) -6%	1,640
Employee & Child(ren)	508.46	129.05	7.86	11.20	656.57	80.27	34.63	4.62	131.00	406.05	434.58	(28.53) -7%	4,902
Family	790.93	200.74	13.08	11.20	1,015.95	108.50	46.81	6.24	131.00	723.40	773.30	(49.90) -6%	1,801
Est. Monthly Cost (\$ mil)	\$13.2	\$3.4	\$0.2	\$0.4	\$17.3	\$2.4	\$1.1	\$0.1	\$4.8	\$8.8			36,754
Novasys													
Employee Only	\$303.13	\$71.70	\$6.04	\$11.20	\$392.07	\$58.93	\$25.42	\$3.39	\$131.00	\$173.33	\$185.30	(\$11.97) -6%	3,740
Employee & Spouse	845.73	200.04	9.08	11.20	1,066.05	104.77	45.20	6.03	131.00	779.05	784.42	(5.37) -1%	164
Employee & Child(ren)	545.62	129.05	7.86	11.20	693.73	80.27	34.63	4.62	131.00	443.21	443.48	(0.27) 0%	704
Family	848.73	200.74	13.08	11.20	1,073.75	108.50	46.81	6.24	131.00	781.20	787.14	(5.94) -1%	274
Est. Monthly Cost (\$ mil)	\$1.9	\$0.4	\$0.0	\$0.1	\$2.4	\$0.3	\$0.1	\$0.0	\$0.6	\$1.3			4,882
Novasys HD PPO													
Employee Only	\$200.04	\$49.65	\$6.04	\$11.20	\$266.93	\$58.93	\$25.42	\$3.39	\$131.00	\$48.19	\$99.84	(\$51.65) -52%	1,493
Employee & Spouse	558.13	138.52	9.08	11.20	716.93	104.77	45.20	6.03	131.00	429.93	545.98	(116.05) -21%	117
Employee & Child(ren)	360.08	89.36	7.86	11.20	468.50	80.27	34.63	4.62	131.00	217.98	289.66	(71.68) -25%	191
Family	560.11	139.00	13.08	11.20	723.39	108.50	46.81	6.24	131.00	430.84	547.86	(117.02) -21%	215
Est. Monthly Cost (\$ mil)	\$0.6	\$0.1	\$0.0	\$0.0	\$0.7	\$0.1	\$0.1	\$0.0	\$0.3	\$0.3			2,016
Total (Monthly) (\$ mil)	\$15.7	\$3.9	\$0.3	\$0.5	\$20.4	\$2.9	\$1.3	\$0.2	\$5.7	\$10.4			43,652
Est Annual Cost (\$ mil)	\$188.1	\$47.3	\$3.6	\$5.9	\$244.9	\$34.8	\$15.0	\$2.0	\$68.6	\$124.5			



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 member per month (PMPM) experience period. These claims are trended to the projection period, which is the year starting 10/1/2010 for PSE Actives or the year starting 1/1/2011 for PSE 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 12/31/2009

Investment return*: 0%

Annual Trend*:	Health Advantage	NovaSys	HD PPO	ARHealth Retirees	Behavioral Health	Pharmacy	Life	Expenses
non-Medicare:	7.00%	7.00%	7.00%	Use either Medicare	0.00%	9.00%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%	or Non-Medicare Factors	0.00%	9.00%	0.00%	0.00%

* Unless otherwise shown in the screen capture.

Historical Benefit Adjustment Factors applied to the PMPM 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:	1.0650	N/A	N/A	Use either Medicare	1.000	1.000	1.000
ASE / PSE Medicare 2009:	1.0650	N/A	N/A	or Non-Medicare Factors	1.000	1.000	1.000

Benefit Ratio:	Health Advantage or NovaSys	HA or NovaSys Pharmacy	HD PPO	HD PPO Pharmacy	Medicare *	Medicare Pharmacy *
PSE	0.8310	0.6900	0.6870	0.5200		

* reflects Medicare Parts A, B, D.

Expenses:	Actives	Actives	Retirees	Retirees	Actives & Retirees
Per Subscriber Per Month	Health Advantage	NovaSys	Non-Medicare	Medicare	EBD*
PSE Actual 2009	\$26.09	\$13.92	\$20.14	\$14.96	\$8.97
PSE Actual 2010	\$27.13	\$13.90	\$20.74	\$15.41	\$6.21
PSE Trended 2011	\$27.13	\$13.90	\$20.74	\$15.41	\$6.21

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

Rx Rebates: The assumed Rx Rebates for PSE are 0%. The actual Rx Rebates based on the 2009 plan year are 2%.

Part D Subsidy: PSE - N/A

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



Appendix B

Assumptions & Methods (continued)

Used for Incurred Claims Development:

Method: We calculated the Paid-to-Date claims by using individual claims and eligibility databases. To determinate the relationship and family tiers, we link each claim to the eligibility database. Also, we use the Plan ID in the eligibility data 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.

Paid-to-Date Claims:

Health Advantage:

Service dates from January 1, 2008 to November 30, 2009 and process dates from January 1, 2008 to November 30, 2009, assuming November 2009 and December 2009 have the same paid-to-date claim as October 2009.

NovaSys and Pharmacy:

Service dates from January 1, 2008 to December 31, 2009 and process dates from January 1, 2008 to December 31, 2009.

Completion Factors:

For 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 December 31, 2009 to develop the completion factors.

For NovaSys and Pharmacy, 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 December 31, 2009 to develop the completion factors.

PSE		Health Advantage	NovaSys	HD PPO	Pharmacy	ARHealth Non-	Pharmacy non-	ARHealth	Pharmacy
						Medicare Retirees	Medicare Retirees	Medicare Retirees	Medicare Retirees
	January-09	0.989	0.999	0.998	1.000	0.989	1.000	0.983	Not Applicable
	February-09	0.987	0.998	0.998	1.000	0.987	1.000	0.982	Not Applicable
	March-09	0.987	0.996	0.994	1.000	0.987	1.000	0.981	Not Applicable
	April-09	0.985	0.985	0.993	1.000	0.985	1.000	0.977	Not Applicable
	May-09	0.979	0.981	0.991	1.000	0.979	1.000	0.973	Not Applicable
	June-09	0.978	0.974	0.981	1.000	0.978	1.000	0.967	Not Applicable
	July-09	0.968	0.967	0.955	1.000	0.968	1.000	0.961	Not Applicable
	August-09	0.955	0.955	0.944	1.000	0.955	1.000	0.951	Not Applicable
	September-09	0.932	0.936	0.930	1.000	0.932	1.000	0.924	Not Applicable
	October-09	0.865	0.898	0.878	1.000	0.865	1.000	0.876	Not Applicable
	November-09	0.717	0.749	0.725	1.000	0.717	1.000	0.700	Not Applicable
	December-09	0.239	0.225	0.150	1.000	0.239	1.000	0.050	Not Applicable

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

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:

Previously adopted reserves allocations:

	Actives (10/1 - 9/30)	Retirees (1/1-12/31)
PSE 2010:	\$2.00	\$2.20
PSE 2011:	\$1.20	\$1.32
PSE 2012:	\$0.80	\$0.88

PSE *

Legislature:

Act 1842

Act 1421

Interest Income:

Active Employee Subsidy:

Amount in \$ Millions	
Actives (10/1 - 9/30)	Retirees (1/1-12/31)
\$50	\$50
\$35	\$35
\$15	\$15
\$0	\$0
\$6	\$6

* Unless otherwise shown in the screen capture.