

**State and Public School Life and
Health Insurance Board
Benefits Sub-Committee
Minutes
May 7, 2010**

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on Friday, May 7, 2010 at 9:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Members Present

Jeff Altemus
Gwen Wiggins
Janis Harrison
Shelby McCook
Lloyd Black

Members Absent

Bob Alexander
Becky Walker

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

Others Present:

Dr. Joe Thompson, ACHI; John Colberg, Karen Mallet, Cheiron, George Platt, Leigh Ann Chrouch, Doug Shackelford; Lori Eden, Florence Marvin, Donna Cook, Sherry Bryant, Paige Harrington, Kathy Johnson, Ellen Justus, Cathy Harris, EBD; Sherry Saxby, Rhonda Hill, AR Centers for Health Improvement & EBD; Barbara Melugin, , David Bridges, Kathy Ryan, AR BC/BS Health Advantage; Ronda Walthall Wayne Whitley, AR Highway & Transportation Dept; Sharon Marcum, LifeSynch; Shonda Rocke, Kim Henderson, AR Development Finance Authority; Bryan Meldrum, Dwane Tankersley, NovaSys; Mona Neal, Public Service Commission; John Bobbins, DataPath; Diann Shoptaw, EBI; Robbie Weaver, AR Children Hospital; Christi Pittman, Delta Dental; Steve Singleton, AR Retired Teachers Association; Pamela Hickman, Karen Henson, AR Game & Fish Commission; John Greer, Humana

Call to Order

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

Approval of Minutes

A request was made by Altemus to approve the April 9, 2010 minutes. McCook made the motion to approve. Black seconded. All were in favor. Minutes approved.

BENEFITS STRATEGIC PLANNING WORKGROUP REPORT (BSPW) *by*

George Platt, Chairman

Platt reported the BSPW met on June 4TH. The workgroup discussed the AR Benefits 2014 Initiative. Platt explained the initiative came about in response to healthcare reform, and includes those things that have to be in place by 2014. Platt said with the assistance from the partners and state agencies they are going to be conducting an internal review of everything they do at EBD. Platt said they have already had some early conversations with some of the school district about what EBD can do to make things more efficient.

Platt reported the workgroup also reviewed the PSE Active & Retiree Rates. Platt informed the committee that based on the PSE Actives 2010-2011 preliminary rates; the workgroup by consensus supports the concept of blending depending on the final details.

Platt said the workgroup will be reviewing everything they have done with the TMJ benefit in the last 5 years. EBD's Health Services team has been tasked with collecting and writing data. Platt said they are going to be working with Dr. Herd and talking with other government associations.

No action was required by the Benefits subcommittee at this time.

PSE 2011 PRELIMINARY RATES *by* John Colberg

Colberg presented the 2010-2011 preliminary PSE rates with an updated experience since the last meeting that included one additional month of run-out claims and a change in the pharmacy period.

The committee reviewed options for

- Baseline with 50% Credit to HDPPO Plan
- 50% Credit to HDPPO - \$18M
- Multi-year Blend NME Retirees - \$18M

Lee referenced the email sent to the members before the meeting. Lee talked about the approach that was used for many years where the actives got trended up based on their experience and the retirees were trended based on their experience. Lee said changes in state and plan contributions coupled with plan management has kept the plan from trending at the higher national average but the separation between Active and Non-Medicare retiree continues to be a struggle each year. Part of this struggle is due to the limited funding provided to that group by virtue of the \$11.20 per active spread over the growing retiree group but another aspect of that struggle stems from the high base cost that has developed over time. Over time, the small group is more susceptible to rate increases because of their exposure to the unpredictable large claims. Lee said it is not their intent with the blending approach to increase the cost to the active but

rather to help the much smaller and more exposed group of non-Medicare retirees.

An in-depth discussion ensued about the \$11.20 Retiree subsidy contribution that was removed from the demonstrations shown on pages 6 and 8 through 10 of the PSE preliminary rates.

McCook commented he liked the blending approach but suggested they not interfere with the \$11.20 retiree subsidy contribution. McCook said the \$11.20 needs to be indicated in the rates to show what little contribution there is. McCook referenced legislation regarding the Retiree subsidy contribution.

Black agreed. Black commented what concerned him the most is the increase in the Medicare Eligible rates and the large decrease in the non Medicare eligible. Black said the AR Retiree Teachers Association (ARTA) is discussing the 2011 health insurance premiums but they will respect the Board decision. Black said the association agrees they don't want to have a negative impact on the active or the Medicare eligible however; they would like to see a zero change in the premium for Medicare eligible.

McCook made the motion: That the premiums noted on pages 9 & 10 (Option 3 – Multiyear Blend) be adopted with adjustments (to the Non-Medicare Retiree blending) in sufficient amounts to reflect no Medicare Primary Retiree rate increase. Black seconded. All were in favor. Motion carried.

Harrison made the motion: That the \$11.20 charge be applied (to active participants) and offset the subsidy (plan reserve of \$100.03) that is shown to be applied to the Medicare Eligible Retirees. Wiggins seconded. All were in favor. Motion carried.

DIRECTOR'S REPORT by Jason Lee

Lee reported they have received an update on the regulations for the new Early Retiree Reinsurance Program created in the health care reform law designed to assist employers that provide health insurance for retirees between the ages of 55-64. Under the Program, \$5 billion in federal funds is made available to reimburse employers that provide retiree health care coverage to early retirees. The reimbursements will be paid, on a first-come, first-served basis, to employers that apply for the federal funds. Lee said they will be staying on top of this issue and have started efforts to apply.

Lee reported they have reviewed the early preliminary 2011 rates for ASE Actives and Cheiron will have a presentation ready for the Benefits next meeting.

Chairman Altemus commented he did not like the premium increases for the PSE Actives, but there were no other alternatives without additional funding. Altemus said the rate increases are almost always borne by the individual and that makes it much more difficult.

Meeting adjourned.

The following pages
were made available to
attendees of the meeting

AGENDA

**State and Public School Life
And Health Insurance Board
Benefit Sub-Committee
EBD Board Room
501 Building, 5th Floor
9:00 p.m.
May 7, 2010**

1. **Call to Order** *Jeff Altemus, Chairman*
2. **Approval of Minutes** *Jeff Altemus, Chairman*
3. **BSPW Report** *George Platt, Chairman*
4. **PSE 2011 Preliminary Rates** *John Colberg, CHEIRON*

**Next Meeting
June 4th**

Arkansas Public School Employees Health Benefits Program

Preliminary PSE Active Rates for 2010-2011 May Update

John Colberg, FSA
Karen Mallett, FSA

May 7, 2010





Topics

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Since Last Meeting

- Updated Experience with One Additional Month of Run-Out Claims and Change Pharmacy Period
 - Pharmacy
 - Service dates 3/1/2009 to 2/28/2010
 - Processed dates 3/1/2009 to 3/31/2010
 - Large Medical Claims
 - Service dates 1/1/2009 to 12/31/2009
 - Processed dates HA: 1/1/2009 to 2/28/2010
 - Processed dates NS: 1/1/2009 to 2/28/2010
 - Total Medical Claims
 - Service dates 1/1/2009 to 12/31/2009
 - Processed dates HA: 1/1/2009 to 3/31/2010
 - Processed dates NS: 1/1/2009 to 3/31/2010
 - Updated administrative expenses

Option 1 – Baseline with 50% 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	
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
1 Total Incurred Medical & Rx Claims (Experience Period)	\$136,926,591	\$40,615,714	\$177,542,305	\$21,609,598	\$4,903,113	\$26,512,712	\$4,066,896	\$363,007	\$4,429,904
2 Less High Cost Claims Above (Med/Rx) \$100,000 \$20,000	\$6,600,142	\$1,922,581	\$8,522,723	\$2,420,787	\$264,908	\$2,685,694	\$342,918	\$27,555	\$370,473
3 Net Incurred Claims below Pooling Point [1 - 2]	\$130,326,449	\$38,693,133	\$169,019,582	\$19,188,812	\$4,638,206	\$23,827,017	\$3,723,978	\$335,453	\$4,059,431
4 Person Months for Experience Period	630,669	634,580	631,564	79,994	76,375	79,290	39,744	41,490	39,888
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$206.65	\$60.97	\$267.62	\$239.88	\$60.73	\$300.61	\$93.70	\$8.09	\$101.79
6 Change in Benefits During Experience Period	1.0078	1.0000		1.0081	1.0000		1.0086	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	<u>1.0000</u>	
9 a) Annual Trend Rate	5.0%	8.5%		5.0%	8.5%		5.0%	8.5%	
b) Months to Trend	21	19		21	19		21	19	
c) Trend Adjustment	<u>1.0891</u>	<u>1.1379</u>		<u>1.0891</u>	<u>1.1379</u>		<u>1.0891</u>	<u>1.1379</u>	
10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c]	\$226.84	\$69.38	\$296.21	\$263.39	\$69.10	\$332.49	\$102.93	\$9.21	\$112.13
11 Charge for Claims above Pooling Point PPPM	<u>\$10.47</u>	<u>\$3.03</u>	<u>\$13.49</u>	<u>\$30.26</u>	<u>\$3.47</u>	<u>\$33.73</u>	<u>\$8.63</u>	<u>\$0.66</u>	<u>\$9.29</u>
12 Total Claims Charged PPPM [9 + 10]	\$237.30	\$72.41	\$309.71	\$293.65	\$72.57	\$366.22	\$111.55	\$9.87	\$121.42
13 Change in Future Benefits (Level / Management / Discounts)	1.0000	1.0000		0.9900	1.0000		1.0000	1.0000	
14 Change in Future Demog (Age/Gender/Family Status) or Risk	1.0072	1.0049		1.0292	1.0464		0.9869	0.9860	
15 Change in Future Geographic	<u>0.9990</u>	<u>0.9990</u>		<u>1.0018</u>	<u>1.0018</u>		<u>1.0003</u>	<u>1.0003</u>	
16 Proj. Experience Incurred Claim PPPM [12 x 13 x 14 x 15]	\$238.75	\$72.68	\$311.44	\$299.76	\$76.08	\$375.83	\$110.13	\$9.73	\$119.86
17 Projected Blended Incurred Claim PPPM	<i>not calculated</i>	\$70.10	<i>not calculated</i>	\$235.96	\$70.10	\$306.06	\$195.04	\$52.47	\$247.50
18 Percent to Use Blended Experience	0%	50%	0%	50%	50%		50%	50%	
19 Rating Incurred Claim PPPM [16 x 17 x 18]	\$238.75	\$71.39	\$310.15	\$267.86	\$73.09	\$340.95	\$152.58	\$31.10	\$183.68
20 Projected Persons Months	653,136	653,136	653,136	64,488	64,488	64,488	48,456	48,456	48,456
21 Projected Total Incurred Claims [19 x 20]	\$155,939,087	\$46,629,033	\$202,568,120	\$17,273,620	\$4,713,384	\$21,987,004	\$7,393,519	\$1,507,012	\$8,900,531
22 Conversion to Rating Tiers [19 x rating tier x counts]	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Ee Months</u>	<u>PEPM</u>	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Ee Months</u>	<u>PEPM</u>	<u>x tier</u> <u>factor</u>	<u>Projected</u> <u>Ee Months</u>	<u>PEPM</u>
a) Employee Only	1.10	360,504	\$339.62	1.12	35,544	\$382.91	1.11	22,260	\$204.55
b) Employee & Spouse	3.26	18,684	\$1,010.69	3.25	1,392	\$1,107.16	3.28	1,848	\$602.78
c) Employee & Child(ren)	2.06	61,608	\$639.52	2.07	6,240	\$706.57	2.08	2,892	\$382.52
d) Family	3.27	21,540	\$1,014.40	3.26	2,184	\$1,111.16	3.29	3,516	\$604.97
23 Rates Balance Confirmation		462,336	\$202,568,120		45,360	\$21,987,004		30,516	\$8,900,531

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

Option 1 – Baseline with 50% Credit to HDPPO - Actives

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	Yes
Combine NM Ret with Actives	No
Blend Novasys & HDPPO	Yes
If yes, % to Blend (PSE)	50%
% to Blend Pharmacy (All)	50%

ALLOCATED RESERVES (in \$millions)				
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	\$0.2
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$11.20	\$11.20	\$11.20

2011 vs. 2010

Actives	Medical and Pharmacy	Expenses	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 (\$/%)	Assumed Enrollment
Health Advantage													
Employee Only	\$339.62	\$38.24	\$6.04	\$11.20	\$395.10	\$57.97	\$24.84	\$1.99	\$131.00	\$179.30	\$152.69	\$26.61 17%	30,042
Employee & Spouse	1,010.69	38.24	9.08	11.20	1,069.21	103.06	44.17	3.53	131.00	787.45	721.45	66.00 9%	1,557
Employee & Child(ren)	639.52	38.24	7.86	11.20	696.82	78.96	33.84	2.71	131.00	450.31	406.05	44.26 11%	5,134
Family	1,014.40	38.24	13.08	11.20	1,076.92	106.73	45.75	3.66	131.00	789.79	723.40	66.39 9%	1,795
Est. Monthly Total (\$mil)	\$16.9	\$1.5	\$0.3	\$0.4	\$19.0	\$2.5	\$1.1	\$0.1	\$5.0	\$10.3	\$9.1	\$1.2	38,528
Novasys													
Employee Only	\$382.91	\$24.61	\$6.04	\$11.20	\$424.76	\$57.97	\$24.84	\$1.99	\$131.00	\$208.96	\$173.33	\$35.63 21%	2,962
Employee & Spouse	1,107.16	24.61	9.08	11.20	1,152.05	103.06	44.17	3.53	131.00	870.29	\$779.05	91.24 12%	116
Employee & Child(ren)	706.57	24.61	7.86	11.20	750.24	78.96	33.84	2.71	131.00	503.73	\$443.21	60.52 14%	520
Family	1,111.16	24.61	13.08	11.20	1,160.05	106.73	45.75	3.66	131.00	872.92	\$781.20	91.72 12%	182
Est. Monthly Total (\$mil)	\$1.8	\$0.1	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1	\$1.0	\$0.2	3,780
Novasys HD PPO													
Employee Only	\$204.55	\$24.61	\$6.04	\$11.20	\$246.40	\$57.97	\$24.84	\$1.99	\$131.00	\$30.60	\$48.19	(\$17.59) -36%	1,855
Employee & Spouse	602.78	24.61	9.08	11.20	647.67	103.06	44.17	3.53	131.00	365.91	429.93	(64.02) -15%	154
Employee & Child(ren)	382.52	24.61	7.86	11.20	426.19	78.96	33.84	2.71	131.00	179.68	217.98	(38.30) -18%	241
Family	604.97	24.61	13.08	11.20	653.86	106.73	45.75	3.66	131.00	366.73	430.84	(64.11) -15%	293
Est. Monthly Total (\$mil)	\$0.7	\$0.1	\$0.0	\$0.0	\$0.9	\$0.2	\$0.1	\$0.0	\$0.3	\$0.3	\$0.3	-\$0.1	2,543
Total (Monthly) (\$ mil)	\$19.5	\$1.6	\$0.3	\$0.5	\$21.9	\$2.9	\$1.3	\$0.1	\$5.9	\$11.7	\$10.4	\$1.3	44,851
Est Annual Total (\$ mil)	\$233.5	\$19.5	\$3.6	\$6.0	\$262.7	\$35.0	\$15.0	\$1.2	\$70.5	\$141.0	\$124.9	\$16.1	

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

Option 1 – Baseline with 50% Credit to HDPPPO - Retirees

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	Yes
Combine NM Ret with Actives	No
Blend Novasys & HDPPPO	Yes
If yes, % to Blend (PSE)	50%
% to Blend Pharmacy (All)	50%
Blend NME with ALL Act	No
Blend Large Claims	No

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.00
Retiree NME -12/31	\$2.20	\$1.32	\$0.88	\$0.00
Retiree ME -12/31	\$1.80	\$1.08	\$0.72	\$0.00
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$11.20	\$11.20	\$11.20
Active Subsidy From NME - PEPM	\$0.00			

2011 vs. 2010

Retirees	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Subsidy from Actives	Reserve Allocation	Active Subsidy	School District Contrib.	2011 Total Ret. Cost	2010 Total Ret. Cost	Change in Premiums (\$/%)	Assumed Enrollment
Non-Medicare Eligible													
Retiree Only	\$538.40	\$28.98	\$3.07	\$0.00	\$570.45	\$68.19	\$54.05	\$0.00		\$448.21	\$527.62	(\$79.41) -15%	1,818
Retiree & NME SP	1,098.56	28.98	6.11	-	1,133.65	68.19	54.05	0.00		1,011.41	1,213.72	(\$202.31) -17%	204
Retiree & Child(ren)	874.50	28.98	4.89	-	908.37	68.19	54.05	0.00		786.13	939.28	(\$153.15) -16%	11
Retiree & NME SP&CH	1,658.73	28.98	10.11	-	1,697.82	68.19	54.05	0.00		1,575.58	1,900.80	(\$325.22) -17%	2
Retiree & ME SP	684.09	28.98	6.11	-	719.18	68.19	54.05	0.00		596.94	609.70	(\$12.76) -2%	-
Retiree & ME SP & CH	1,019.46	28.98	10.11	-	1,058.55	68.19	54.05	0.00		936.31	1,004.01	(\$67.70) -7%	-
Est. Monthly Total (\$mil)	\$1.2	\$0.1	\$0.0		\$1.3	\$0.1	\$0.1	\$0.0		\$1.0	\$1.2	-\$0.2	2,035
Medicare Eligible													
Retiree Only	\$140.80	\$15.41	Not Offered		\$156.21	\$68.19	\$16.88			\$71.15	\$41.44	\$29.71 72%	4,739
Retiree & NME SP	660.49	15.41	Not Offered		675.90	68.19	16.88			590.83	674.34	(\$83.51) -12%	136
Retiree & Child(ren)	476.90	15.41	Not Offered		492.31	68.19	16.88			407.25	421.17	(\$13.92) -3%	12
Retiree & NME SP&CH	1,019.46	15.41	Not Offered		1,034.87	68.19	16.88			949.81	1,054.07	(\$104.26) -10%	3
Retiree & ME SP	281.62	15.41	Not Offered		297.03	68.19	16.88			211.96	170.59	\$41.37 24%	440
Retiree & ME SP & CH	617.72	15.41	Not Offered		633.13	68.19	16.88			548.06	550.32	(\$2.26) 0%	2
Est. Monthly Total (\$mil)	\$0.9	\$0.1			\$1.0	\$0.4	\$0.1			\$0.5	\$0.4	\$0.1	5,332
Total (Est. Monthly)	\$2.1	\$0.1	\$0.0	\$0.0	\$2.3	\$0.5	\$0.2			\$1.6	\$1.6	(\$0.0)	7,367
Total (Est. Annual)	\$25.3	\$1.7	\$0.1	\$0.0	\$27.1	\$6.0	\$2.4	\$0.0		\$18.6	\$19.1	-\$0.5	

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

Option 2 – 50% Credit to HDPPO – Allocate \$18 million of Reserves - Actives

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	Yes
Combine NM Ret with Actives	No
Blend Novasys & HDPPO	Yes
If yes, % to Blend (PSE)	50%
% to Blend Pharmacy (All)	50%

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$6.20	\$3.80	\$2.0
Retiree NME -12/31	\$2.20	\$1.32	\$0.88	\$0.0
Retiree ME -12/31	\$1.80	\$5.08	\$3.12	\$1.6
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$11.20	\$11.20	\$11.20

2011 vs. 2010

Actives	Medical and Pharmacy	Expenses	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 (\$/%)	Assumed Enrollment
Health Advantage													
Employee Only	\$339.62	\$38.24	\$6.04	\$11.20	\$395.10	\$57.97	\$24.84	\$10.27	\$131.00	\$171.02	\$152.69	\$18.33 12%	30,042
Employee & Spouse	1,010.69	38.24	9.08	11.20	1,069.21	103.06	44.17	18.26	131.00	772.72	721.45	51.27 7%	1,557
Employee & Child(ren)	639.52	38.24	7.86	11.20	696.82	78.96	33.84	13.99	131.00	439.03	406.05	32.98 8%	5,134
Family	1,014.40	38.24	13.08	11.20	1,076.92	106.73	45.75	18.90	131.00	774.55	723.40	51.15 7%	1,795
Est. Monthly Total (\$mil)	\$16.9	\$1.5	\$0.3	\$0.4	\$19.0	\$2.5	\$1.1	\$0.4	\$5.0	\$10.0	\$9.1	\$0.9	38,528
Novasys													
Employee Only	\$382.91	\$24.61	\$6.04	\$11.20	\$424.76	\$57.97	\$24.84	\$10.27	\$131.00	\$200.68	\$173.33	\$27.35 16%	2,962
Employee & Spouse	1,107.16	24.61	9.08	11.20	1,152.05	103.06	44.17	18.26	131.00	855.56	\$779.05	76.51 10%	116
Employee & Child(ren)	706.57	24.61	7.86	11.20	750.24	78.96	33.84	13.99	131.00	492.45	\$443.21	49.24 11%	520
Family	1,111.16	24.61	13.08	11.20	1,160.05	106.73	45.75	18.90	131.00	857.68	\$781.20	76.48 10%	182
Est. Monthly Total (\$mil)	\$1.8	\$0.1	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1	\$1.0	\$0.1	3,780
Novasys HD PPO													
Employee Only	\$204.55	\$24.61	\$6.04	\$11.20	\$246.40	\$57.97	\$24.84	\$10.27	\$131.00	\$22.32	\$48.19	(\$25.87) -54%	1,855
Employee & Spouse	602.78	24.61	9.08	11.20	647.67	103.06	44.17	18.26	131.00	351.18	429.93	(78.75) -18%	154
Employee & Child(ren)	382.52	24.61	7.86	11.20	426.19	78.96	33.84	13.99	131.00	168.40	217.98	(49.58) -23%	241
Family	604.97	24.61	13.08	11.20	653.86	106.73	45.75	18.90	131.00	351.49	430.84	(79.35) -18%	293
Est. Monthly Total (\$mil)	\$0.7	\$0.1	\$0.0	\$0.0	\$0.9	\$0.2	\$0.1	\$0.0	\$0.3	\$0.2	\$0.3	-\$0.1	2,543
Total (Monthly) (\$ mil)	\$19.5	\$1.6	\$0.3	\$0.5	\$21.9	\$2.9	\$1.3	\$0.5	\$5.9	\$11.3	\$10.4	\$0.9	44,851
Est Annual Total (\$ mil)	\$233.5	\$19.5	\$3.6	\$6.0	\$262.7	\$35.0	\$15.0	\$6.2	\$70.5	\$136.0	\$124.9	\$11.1	

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

Option 2 – 50% Credit to HDPPO – Allocate \$18 million of Reserves – Retirees

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	Yes
Combine NM Ret with Actives	No
Blend Novasys & HDPPO	Yes
If yes, % to Blend (PSE)	50%
% to Blend Pharmacy (All)	50%
Blend NME with ALL Act	No
Blend Large Claims	No

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$6.20	\$3.80	\$2.00
Retiree NME -12/31	\$2.20	\$1.32	\$0.88	\$0.00
Retiree ME -12/31	\$1.80	\$5.08	\$3.12	\$1.60
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$11.20	\$11.20	\$11.20
Active Subsidy From NME - PEPM	\$0.00			

2011 vs. 2010

Retirees	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Subsidy from Actives	Reserve Allocation	Active Subsidy	School District Contrib.	2011 Total Ret. Cost	2010 Total Ret. Cost	Change in Premiums (\$/%)	Assumed Enrollment
Non-Medicare Eligible													
Retiree Only	\$538.40	\$28.98	\$3.07	\$0.00	\$570.45	\$68.19	\$54.05	\$0.00		\$448.21	\$527.62	(\$79.41) -15%	1,818
Retiree & NME SP	1,098.56	28.98	6.11	-	1,133.65	68.19	54.05	0.00		1,011.41	1,213.72	(\$202.31) -17%	204
Retiree & Child(ren)	874.50	28.98	4.89	-	908.37	68.19	54.05	0.00		786.13	939.28	(\$153.15) -16%	11
Retiree & NME SP&CH	1,658.73	28.98	10.11	-	1,697.82	68.19	54.05	0.00		1,575.58	1,900.80	(\$325.22) -17%	2
Retiree & ME SP	684.09	28.98	6.11	-	719.18	68.19	54.05	0.00		596.94	609.70	(\$12.76) -2%	-
Retiree & ME SP & CH	1,019.46	28.98	10.11	-	1,058.55	68.19	54.05	0.00		936.31	1,004.01	(\$67.70) -7%	-
Est. Monthly Total (\$mil)	\$1.2	\$0.1	\$0.0		\$1.3	\$0.1	\$0.1	\$0.0		\$1.0	\$1.2	-\$0.2	2,035
Medicare Eligible													
Retiree Only	\$140.80	\$15.41	Not Offered		\$156.21	\$68.19	\$79.39			\$8.63	\$41.44	(\$32.81) -79%	4,739
Retiree & NME SP	723.01	15.41	Not Offered		738.42	68.19	79.39			590.83	674.34	(\$83.51) -12%	136
Retiree & Child(ren)	476.90	15.41	Not Offered		492.31	68.19	79.39			344.73	421.17	(\$76.44) -18%	12
Retiree & NME SP&CH	1,019.46	15.41	Not Offered		1,034.87	68.19	79.39			887.29	1,054.07	(\$166.78) -16%	3
Retiree & ME SP	281.62	15.41	Not Offered		297.03	68.19	79.39			149.44	170.59	(\$21.15) -12%	440
Retiree & ME SP & CH	617.72	15.41	Not Offered		633.13	68.19	79.39			485.55	550.32	(\$64.77) -12%	2
Est. Monthly Total (\$mil)	\$0.9	\$0.1			\$1.0	\$0.4	\$0.4			\$0.2	\$0.4	-\$0.2	5,332
Total (Est. Monthly)	\$2.1	\$0.1	\$0.0	\$0.0	\$2.3	\$0.5	\$0.5			\$1.2	\$1.6	(\$0.4)	7,367
Total (Est. Annual)	\$25.4	\$1.7	\$0.1	\$0.0	\$27.2	\$6.0	\$6.4	\$0.0		\$14.7	\$19.1	-\$4.4	

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

Option 3 – Multi-year Blend Non-Medicare Retirees with \$18 million reserve allocation - Actives

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPPO	Yes
If yes, % to Blend (PSE)	50%
% to Blend Pharmacy (All)	50%

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$6.20	\$3.80	\$2.00
Retiree NME -12/31	\$2.20	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$1.80	\$6.40	\$4.00	\$1.60
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$0.00	\$0.00	\$0.00
Active Subsidy From NME - PEPM		\$50.00		
Totalling (\$mil)		\$1.22		

2011 vs. 2010

Actives	Medical and Pharmacy	Expenses	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 (\$/%)	Assumed Enrollment
Health Advantage													
Employee Only	\$349.99	\$37.84	\$6.04	\$0.00	\$393.87	\$57.97	\$24.84	\$9.62	\$131.00	\$170.44	\$152.69	\$17.75 12%	30,042
Employee & Spouse	1,041.54	37.84	9.08	0.00	1,088.46	103.06	44.17	38.49	131.00	771.74	721.45	50.29 7%	1,557
Employee & Child(ren)	659.03	37.84	7.86	0.00	704.73	78.96	33.84	24.05	131.00	436.88	406.05	30.83 8%	5,134
Family	1,045.35	37.84	13.08	0.00	1,096.27	106.73	45.75	38.97	131.00	773.83	723.40	50.43 7%	1,795
Est. Monthly Total (\$mil)	\$17.4	\$1.5	\$0.3	\$0.0	\$19.1	\$2.5	\$1.1	\$0.5	\$5.0	\$10.0	\$9.1	\$0.9	38,528
Novasys													
Employee Only	\$385.00	\$24.21	\$6.04	\$0.00	\$415.25	\$57.97	\$24.84	\$7.82	\$131.00	\$193.63	\$173.33	\$20.30 12%	2,962
Employee & Spouse	1,113.21	24.21	9.08	0.00	1,146.50	103.06	44.17	31.27	131.00	837.00	\$779.05	57.95 7%	116
Employee & Child(ren)	710.43	24.21	7.86	0.00	742.50	78.96	33.84	19.54	131.00	479.16	\$443.21	35.95 8%	520
Family	1,117.23	24.21	13.08	0.00	1,154.52	106.73	45.75	31.66	131.00	839.39	\$781.20	58.19 7%	182
Est. Monthly Total (\$mil)	\$1.8	\$0.1	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1	\$1.0	\$0.1	3,780
Novasys HD PPO													
Employee Only	\$206.10	\$24.21	\$6.04	\$0.00	\$236.35	\$57.97	\$24.84	\$7.82	\$131.00	\$14.73	\$48.19	(\$33.46) -69%	1,855
Employee & Spouse	607.35	24.21	9.08	0.00	640.64	103.06	44.17	31.27	131.00	331.14	429.93	(98.79) -23%	154
Employee & Child(ren)	385.42	24.21	7.86	0.00	417.49	78.96	33.84	19.54	131.00	154.15	217.98	(63.83) -29%	241
Family	609.56	24.21	13.08	0.00	646.85	106.73	45.75	31.66	131.00	331.72	430.84	(99.12) -23%	293
Est. Monthly Total (\$mil)	\$0.7	\$0.1	\$0.0	\$0.0	\$0.8	\$0.2	\$0.1	\$0.0	\$0.3	\$0.2	\$0.3	-\$0.1	2,543
Total (Monthly) (\$ mil)	\$20.0	\$1.6	\$0.3	\$0.0	\$21.9	\$2.9	\$1.3	\$0.6	\$5.9	\$11.2	\$10.4	\$0.8	44,851
Est Annual Total (\$ mil)	\$239.8	\$19.3	\$3.6	\$0.0	\$262.8	\$35.0	\$15.0	\$7.4	\$70.5	\$134.9	\$124.9	\$10.0	

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

Option 3 – Multi-year Blend Non-Medicare Retirees with \$18 million reserve allocation - Retirees

CLAIMS & EXPENSES	
Blend ASE & PSE Retirees	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPPO	Yes
If yes, % to Blend (PSE)	50%
% to Blend Pharmacy (All)	50%
Blend NME with ALL Act	No
Blend Large Claims	No

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$6.20	\$3.80	\$2.00
Retiree NME -12/31	\$2.20	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$1.80	\$6.40	\$4.00	\$1.60
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$0.00	\$0.00	\$0.00
Active Subsidy From NME - PEPM	\$50.00			

2011 vs. 2010

Retirees	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Subsidy from Actives	Reserve Allocation	Active Subsidy	School District Contrib.	2011 Total Ret. Cost	2010 Total Ret. Cost	Change in Premiums (\$/%)	Assumed Enrollment
Non-Medicare Eligible													
Retiree Only	\$349.99	\$37.84	\$6.04	\$0.00	\$393.87	\$0.00	\$0.00	(\$50.00)		\$443.87	\$527.62	(\$83.75) -16%	1,818
Retiree & NME SP	1,041.54	37.84	9.08	-	1,088.46	0.00	0.00	(50.00)		1,138.46	1,213.72	(\$75.26) -6%	204
Retiree & Child(ren)	659.03	37.84	7.86	-	704.73	0.00	0.00	(50.00)		754.73	939.28	(\$184.55) -20%	11
Retiree & NME SP&CH	1,045.35	37.84	13.08	-	1,096.27	0.00	0.00	(50.00)		1,146.27	1,900.80	(\$754.53) -40%	2
Retiree & ME SP	489.41	37.84	6.04	-	533.29	0.00	0.00	(50.00)		583.29	609.70	(\$26.41) -4%	-
Retiree & ME SP & CH	798.46	37.84	7.86	-	844.16	0.00	0.00	(50.00)		894.16	1,004.01	(\$109.85) -11%	-
Est. Monthly Total (\$mil)	\$0.9	\$0.1	\$0.0	\$0.0	\$0.9	\$0.0	\$0.0	-\$0.1		\$1.0	\$1.2	-\$0.2	2,035
Medicare Eligible													
Retiree Only	\$134.75	\$15.41	Not Offered		\$150.16	\$0.00	\$100.03			\$50.13	\$41.44	\$8.69 21%	4,739
Retiree & NME SP	661.87	15.41	Not Offered		677.28	-	100.03			577.25	674.34	(\$97.09) -14%	136
Retiree & Child(ren)	443.79	15.41	Not Offered		459.20	-	100.03			359.18	421.17	(\$61.99) -15%	12
Retiree & NME SP&CH	798.46	15.41	Not Offered		813.87	-	100.03			713.84	1,054.07	(\$340.23) -32%	3
Retiree & ME SP	269.50	15.41	Not Offered		284.91	-	100.03			184.89	170.59	\$14.30 8%	440
Retiree & ME SP & CH	578.55	15.41	Not Offered		593.96	-	100.03			493.93	550.32	(\$56.39) -10%	2
Est. Monthly Total (\$mil)	\$0.9	\$0.1			\$0.9	\$0.0	\$0.5			\$0.4	\$0.4	\$0.0	5,332
Total (Est. Monthly)	\$1.7	\$0.2	\$0.0	\$0.0	\$1.9	\$0.0	\$0.5			\$1.5	\$1.6	(\$0.1)	7,367
Total (Est. Annual)	\$20.6	\$1.9	\$0.2	\$0.0	\$22.6	\$0.0	\$6.4	\$0.0		\$17.5	\$19.1	-\$1.7	

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

Comparison of Rates – Actives

Actives	Total Monthly Premium			2010-2011 Total Cost (to Participants)		
	Option 1 - Baseline	Option 2 - w/ Reserve Allocated	Option 3 - Multi-year Blend Ret.	Option 1 - Baseline	Option 2 - w/ Reserve Allocated	Option 3 - Multi-year Blend Ret.
Health Advantage						
Employee Only	\$395.10	\$395.10	\$393.87	\$179.30	\$171.02	\$170.44
Employee & Spouse	1,069.21	1,069.21	1,088.46	787.45	772.72	771.74
Employee & Child(ren)	696.82	696.82	704.73	450.31	439.03	436.88
Family	1,076.92	1,076.92	1,096.27	789.79	774.55	773.83
Est. Monthly Cost (\$ mil)	\$19.0	\$19.0	\$19.1	\$10.3	\$10.0	\$10.0
Novasys						
Employee Only	\$424.76	\$424.76	\$415.25	\$208.96	\$200.68	\$193.63
Employee & Spouse	1,152.05	1,152.05	1,146.50	870.29	855.56	837.00
Employee & Child(ren)	750.24	750.24	742.50	503.73	492.45	479.16
Family	1,160.05	1,160.05	1,154.52	872.92	857.68	839.39
Est. Monthly Cost (\$ mil)	\$2.0	\$2.0	\$2.0	\$1.1	\$1.1	\$1.1
Novasys HD PPO						
Employee Only	\$246.40	\$246.40	\$236.35	\$30.60	\$22.32	\$14.73
Employee & Spouse	647.67	647.67	640.64	365.91	351.18	331.14
Employee & Child(ren)	426.19	426.19	417.49	179.68	168.40	154.15
Family	653.86	653.86	646.85	366.73	351.49	331.72
Est. Monthly Cost (\$ mil)	\$0.9	\$0.9	\$0.8	\$0.3	\$0.2	\$0.2
Total (Monthly) (\$ mil)	\$21.9	\$21.9	\$21.9	\$11.7	\$11.3	\$11.2
Est Annual Cost (\$ mil)	\$262.7	\$262.7	\$262.8	\$141.0	\$136.0	\$134.9

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 - w/ Reserve Allocated	Option 3 - Multi-year Blend Ret.	Option 1 - Baseline	Option 2 - w/ Reserve Allocated	Option 3 - Multi-year Blend Ret.
Non-Medicare Eligible						
Retiree Only	\$570.45	\$570.45	\$393.87	\$448.21	\$448.21	\$443.87
Retiree & NME SP	1,133.65	1,133.65	1,088.46	1,011.41	1,011.41	1,138.46
Retiree & Child(ren)	908.37	908.37	704.73	786.13	786.13	754.73
Retiree & NME SP & CH	1,697.82	1,697.82	1,096.27	1,575.58	1,575.58	1,146.27
Retiree & ME SP	719.18	719.18	533.29	596.94	596.94	583.29
Retiree & ME SP & CH	1,058.55	1,058.55	844.16	936.31	936.31	894.16
Est. Monthly Cost (\$ mil)	\$1.3	\$1.3	\$0.9	\$1.0	\$1.0	\$1.0
Medicare Eligible						
Retiree Only	\$156.21	\$156.21	\$150.16	\$71.15	\$8.63	\$50.13
Retiree & NME SP	738.42	738.42	677.28	590.83	590.83	577.25
Retiree & Child(ren)	492.31	492.31	459.20	407.25	344.73	359.18
Retiree & NME SP & CH	1,034.87	1,034.87	813.87	949.81	887.29	713.84
Retiree & ME SP	297.03	297.03	284.91	211.96	149.44	184.89
Retiree & ME SP & CH	633.13	633.13	593.96	548.06	485.55	493.93
Total Monthly Cost	\$1.0	\$1.0	\$0.9	\$0.5	\$0.2	\$0.4
Total (Est. Monthly)	\$2.3	\$2.3	\$1.9	\$1.6	\$1.2	\$1.5
Total (Est. Annual)	\$27.2	\$27.2	\$22.6	\$18.6	\$14.7	\$17.5

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



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 person per month (PPPM) 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 3/31/2010

Investment return*: 0%

Annual Trend*:	<u>Health Advantage</u>	<u>NovaSys</u>	<u>HD PPO</u>	<u>ARHealth Retirees</u>	<u>Behavioral Health</u>	<u>Pharmacy</u>	<u>Life</u>	<u>Expenses</u>
non-Medicare:	5.00%	5.00%	5.00%	Use either Medicare or Non-Medicare Factors	0.00%	8.50%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%		0.00%	Not Used	0.00%	0.00%

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

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

ASE non-Medicare 2008:	0.9780	0.9780	0.9193	Use either Medicare or Non-Medicare Factors	1.000	1.000	1.000
PSE non-Medicare 2008:	0.9776	0.9776	0.9168		1.000	1.000	1.000
ASE/PSE non-Medicare 2009:	1.0105	1.0105	1.0105	Use either Medicare or Non-Medicare Factors	1.000	1.000	1.000
ASE / PSE Medicare 2008:	1.0650	N/A	N/A		1.000	1.000	1.000
ASE / PSE Medicare 2009:	1.0650	N/A	N/A		1.000	1.000	1.000

Benefit Ratio:	<u>Health Advantage</u>	<u>HA or NovaSys</u>	<u>HD PPO</u>	<u>HD PPO</u>	<u>Medicare</u>	<u>Medicare</u>
	<u>or NovaSys</u>	<u>Pharmacy</u>	<u>HD PPO</u>	<u>Pharmacy</u>	<u>Medicare *</u>	<u>Pharmacy</u>
PSE	0.8310	0.6900	0.6870	0.5200		Not Applicable

* reflects Medicare Parts A and B.

Expenses:	Per Subscriber Per Month	Actives	Actives	Retirees	Retirees	Actives only	Actives
		<u>Health Advantage</u>	<u>NovaSys</u>	<u>Non-Medicare</u>	<u>Medicare</u>	<u>EBD*</u>	<u>Blended with NME - EBD*</u>
	PSE Actual 2009	\$26.09	\$13.92	\$20.14	\$14.96	\$8.97	\$8.97
	PSE Actual 2010	\$27.13	\$13.90	\$20.74	\$15.41	\$6.21	\$6.21
	PSE Trended 2011	\$27.53	\$13.90	\$20.74	\$15.41	\$9.26	\$8.86

* Assumed to include UAM expenses (both Rx and Medical), EAP, weight management, smoking cessation, and Integrail 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 - Not Applicable

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. We assume March 2010 are split in the same relationship between rating tiers as the February 2010 individual claims.

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)

PSE		Health Advantage	NovaSys	HD PPO	Pharmacy	ARHealth Non-	Pharmacy non-	ARHealth	Pharmacy
						Medicare Retirees	Medicare Retirees	Medicare Retirees	Medicare Retirees
	January-09	0.998	0.996	0.997	n/a	0.997	n/a	0.995	n/a
	February-09	0.998	0.996	0.997	n/a	0.997	1.000	0.989	1.000
	March-09	0.998	0.996	0.996	1.000	0.996	1.000	0.989	1.000
	April-09	0.997	0.996	0.996	1.000	0.996	1.000	0.974	1.000
	May-09	0.996	0.995	0.996	1.000	0.992	1.000	0.974	1.000
	June-09	0.994	0.993	0.995	1.000	0.992	1.000	0.973	1.000
	July-09	0.991	0.983	0.994	1.000	0.989	1.000	0.969	1.000
	August-09	0.988	0.979	0.992	1.000	0.984	1.000	0.962	1.000
	September-09	0.985	0.973	0.986	1.000	0.984	1.000	0.957	1.000
	October-09	0.979	0.967	0.960	1.000	0.979	1.000	0.951	1.000
	November-09	0.965	0.957	0.949	1.000	0.971	1.000	0.941	1.000
	December-09	0.933	0.938	0.931	1.000	0.947	1.000	0.916	1.000
	January-10	n/a	n/a	n/a	1.000	n/a	1.000	n/a	1.000
	February-10	n/a	n/a	n/a	0.999	n/a	1.000	n/a	1.000

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:

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 *

	Amount in \$ Millions	
Legislature:	\$50	\$50
Act 1842	\$35	\$35
Act 1421	\$15	\$15
Interest Income:	\$0	\$0
Active Employee Subsidy:	\$6	\$6

* Unless otherwise shown in the screen capture.



Appendix B

Assumptions & Methods (continued)

Annual Trend*:	<u>Health Advantage</u>			ARHealth Retirees Use either Medicare or Non-Medicare Factors	<u>Behavioral</u>			
	<u>NovaSys</u>	<u>HD PPO</u>	<u>Health</u>		<u>Pharmacy</u>	<u>Life</u>	<u>Expenses</u>	
non-Medicare:	5.00%	5.00%	5.00%		0.00%	8.50%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%		0.00%	Not Used	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: **2.20%**
(with retirees the trend rate is even lower)
- 2 Rx Incurred All Plan Cost CY09 v. CY08: **4.80%**

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

Calculations:

	<u>Annualized Rate</u>	<u>Period Factor</u>		<u>Rx</u>	<u>Cost Weights</u>
Utilization for 20 month:	2.20%	103.7%	Generic*	9%	50%
Price for 12 month:	0.00%	100.0%	Brand*	3%	30%
Price for 9 month:	<u>7.00%</u>	<u>105.2%</u>	Specialty*	15%	<u>20%</u>
	5.10%	109.1%			8.4%

* Includes shifts in utilization



Appendix C - Gain / Loss

Reconciliation of 2008-2009 PSE Net Income/(Loss)

⊕ From the September 2009 Financial Report (Year-to-date)

	<u>\$ in Millions</u>
Net Income/(Loss)	\$ 5.2
Reserves Allocated	13.6
Net Income/(Loss) After Reserves	\$ 18.8

⊕ Where did the \$18.8 million come from?

Items that are not assumed to repeat

Active Enrollment Lower than Projected	\$ 1.0
July 2009 Payment from Act 1421	\$ 3.8
Net Income from Retirees	\$ 1.4
Investment Income	\$ 0.9
Other Unanticipated Items	\$ (0.1)
TOTAL	\$ 7.0

Items that have already been reflected in 2009-10 rates

Net Income from Lifestyle Assessment	\$ 6.1
TOTAL	\$ 6.1

Items that will affect 2010-11 rates

Medical experience better than projected	\$ 2.3
Pharmacy experience better than projected	\$ 2.8
Behavioral Health premiums lower than projected	\$ 0.6
TOTAL	\$ 5.7
<i>Percent of 2008-9 expenses</i>	2.2%

GRAND TOTAL	\$ 18.8
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