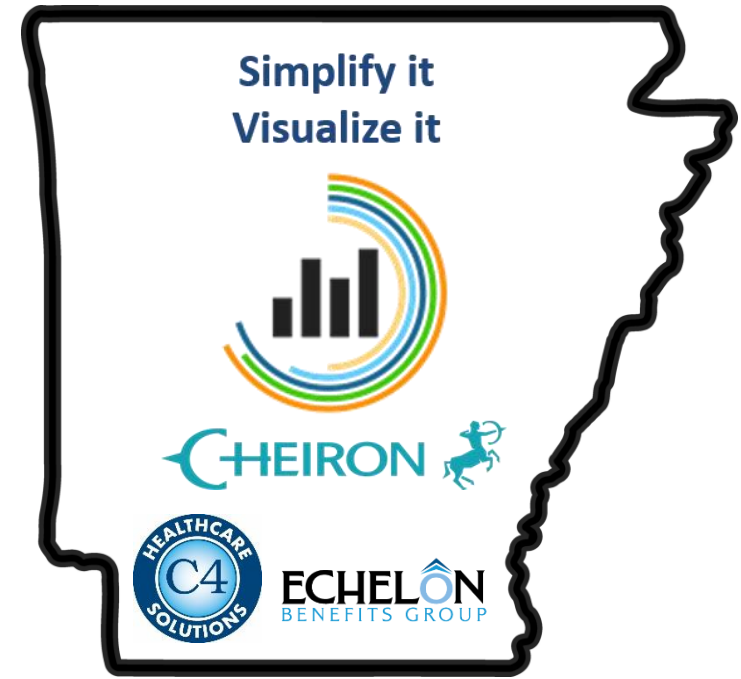


# Executive Subcommittee of the Legislative Council



## Employee Health Benefits Consulting Services



May 12, 2021

# About Cheiron



- Independent, objective consultancy of actuaries and benefits professionals
- Started in 2002
- Approximately 100 employees all in United States
- 100% Employee Owned
- Office Locations in 9 cities nationwide
- Function as single firm regardless of office location  
***(beneficial during COVID)***

# Why Cheiron?





To empower you  
to understand and manage  
the risks of your health plans

# Accomplishing Our Mission



Highly Qualified Consultants



Sophisticated Tools

# Consulting Team



## Primary Actuaries

John Colberg, FSA, Principal Consulting Actuary

Gaelle Gravot, FSA, Principal Consulting Actuary

## Actuarial Support

Rajesh Patel, ASA, Data & Actuarial Analysis

Taylor Stevens, ASA Data & Actuarial Analysis

Matthew Li, ASA, Data Analysis

## Subcontractors

Tim Hyde, Arkansas Health Market Knowledge

George Platt, Operational Procedures

Donna Cook, Operational Procedures

## Special Resources

Jo Ann Butler, JD,  
Legislative & Regulatory Advisor

James Holland, ASA,  
Chief Research Actuary

Mike Schionning, FSA  
Peer Review &  
National Market Knowledge

Karan Lala, Software Engineer  
Technical Support

Amul Shah, MD  
Clinical Researcher/Actuarial Analyst  
Clinical Support



# Experience with Arkansas Plans



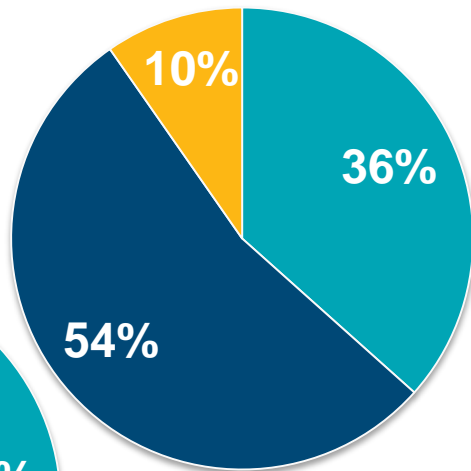
- ✓ Actuary for EBD for 11 years
  - Through 4 Executive Directors
  - Experience with claims & enrollment data
- ✓ Project Team includes former EBD Deputy Executive Director
- ✓ Testified before
  - Arkansas Legislature
  - Legislative Committees
  - Life & Health Insurance Task Force



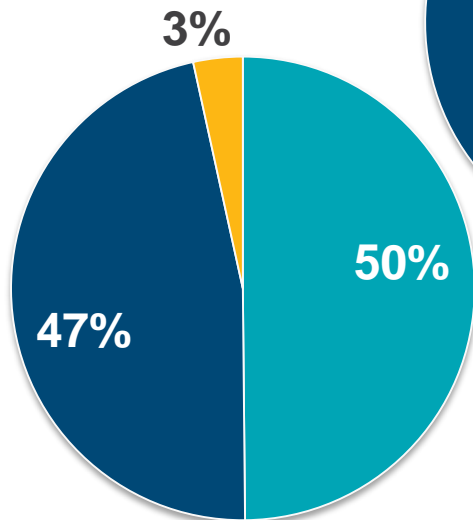
# Experience with Differences in the Plans



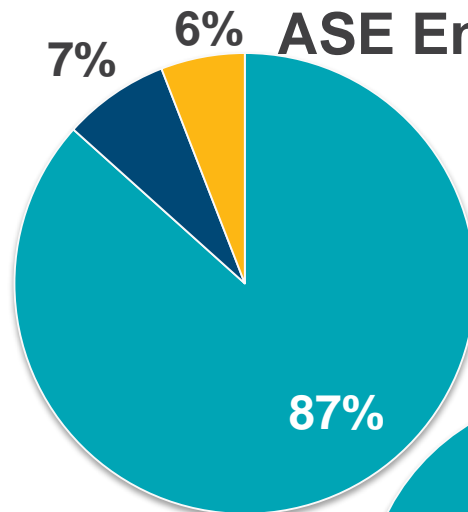
## PSE Enrollment



## PSE Claims



## ASE Enrollment

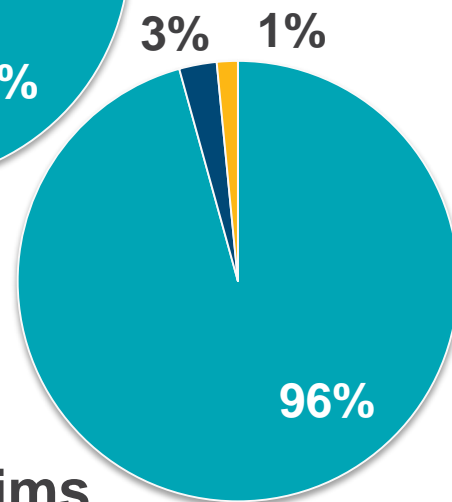


■ Premium

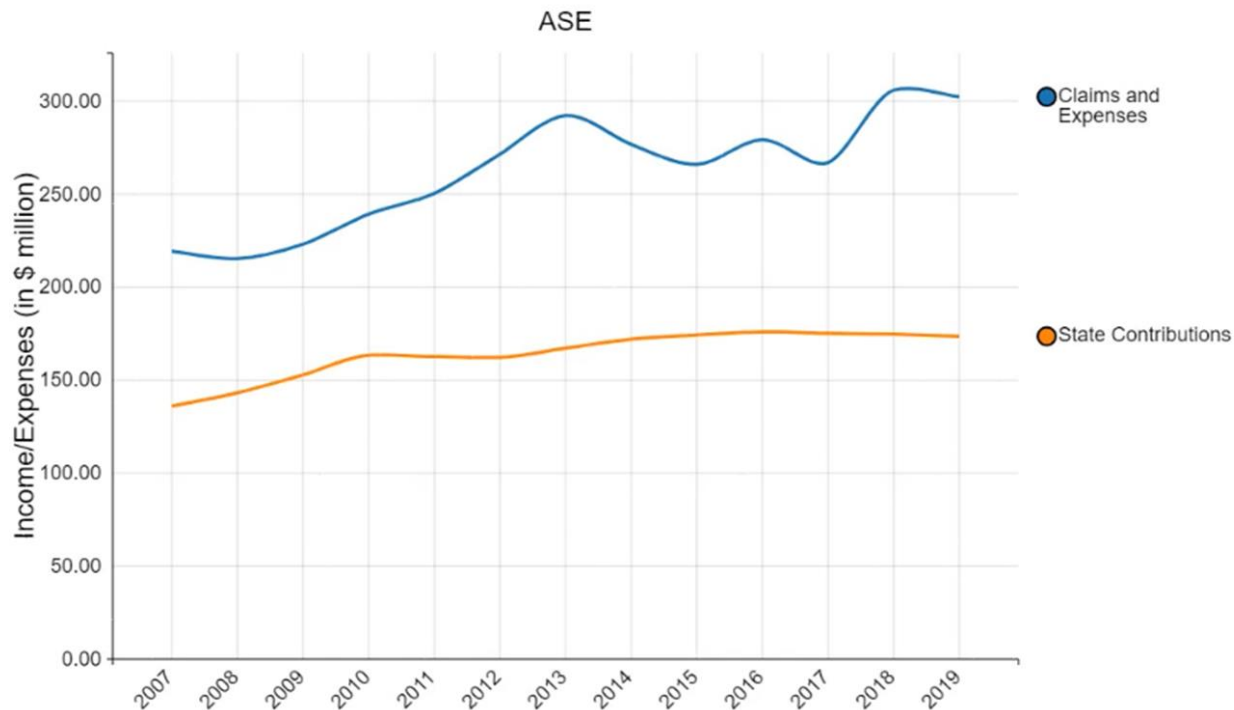
■ Classic

■ Basic

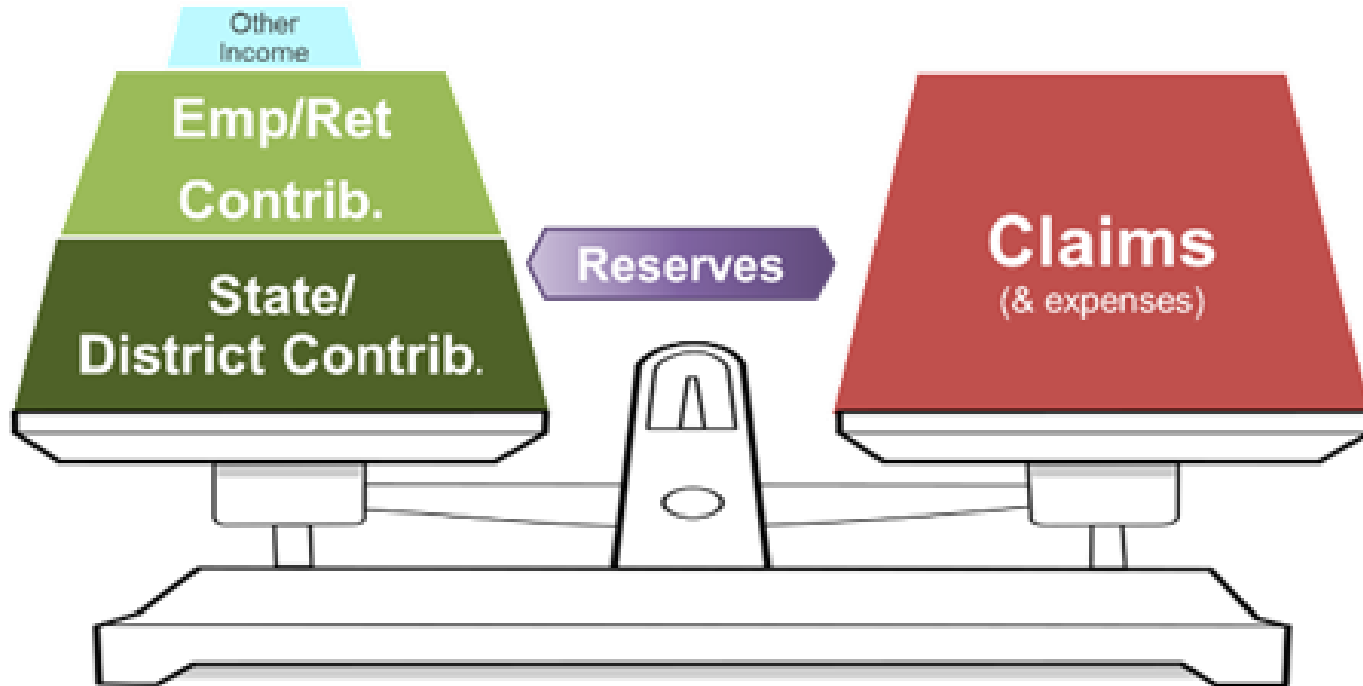
## ASE Claims



# Experience with Plan History

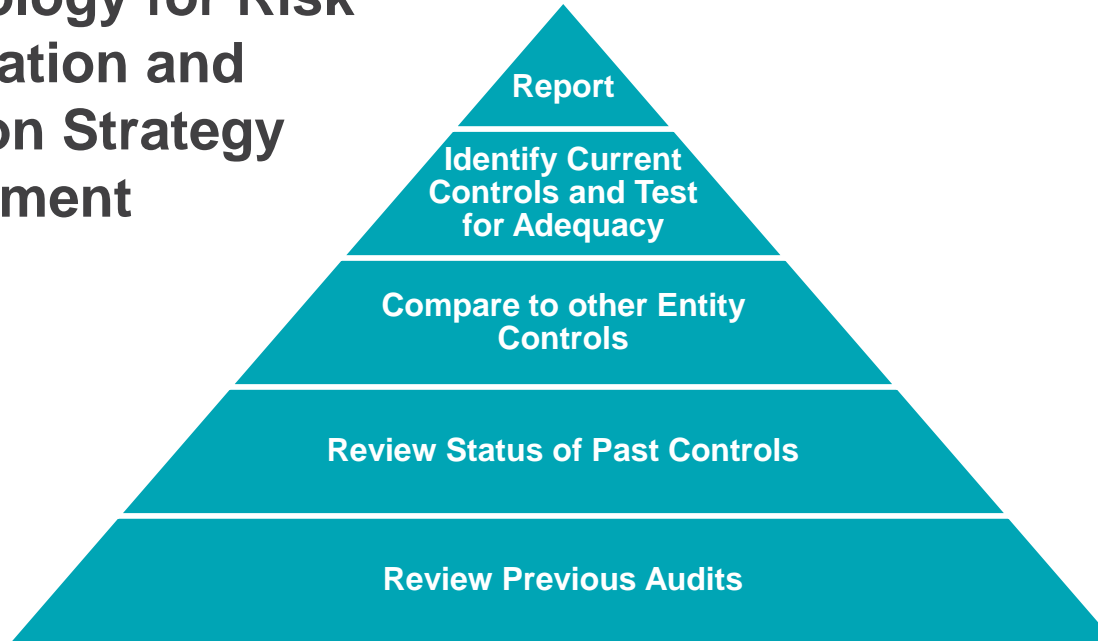


# Experience Plan Funding





## Methodology for Risk Identification and Mitigation Strategy Development



Source: Identify Risks (PMBOK 11.2) and Qualitative Risk Analysis (PMBOK 11.3), Project Management Institute. *A Guide to the Project Management Body of Knowledge (PMBOK Guide)*. 6th ed., Project Management Institute, 2017.

# Mitigating Deficiencies with Strong Controls



## 2002 Performance Audit

### FINDINGS:

- Enrollment
- Claims
- Staff Turnover
- Financial Records
- Premium Amounts
- Monitoring Third Party Administrators

## Weak Controls

Source: PSPE00301  
Employee Benefits Division - Department of  
Finance and Administration - Performance Audit,  
2002 Audit Years: 1995-2001, [www.arklegaudit.gov/our-reports/search-audits/default.aspx](http://www.arklegaudit.gov/our-reports/search-audits/default.aspx)

## 2013 Performance Audit

### FINDINGS:

"...found no material exceptions..."  
"...EBD is adequately monitoring  
third-party health and pharmacy  
claims administration."

## Strong Controls

Source: PSPE00313  
Employee Benefits Division - Department of Finance  
and Administration - Performance Audit, 2013  
Audit Years: 2011-20112, [www.arklegaudit.gov/our-reports/search-audits/default.aspx](http://www.arklegaudit.gov/our-reports/search-audits/default.aspx)

## 2021 Performance TBD

?

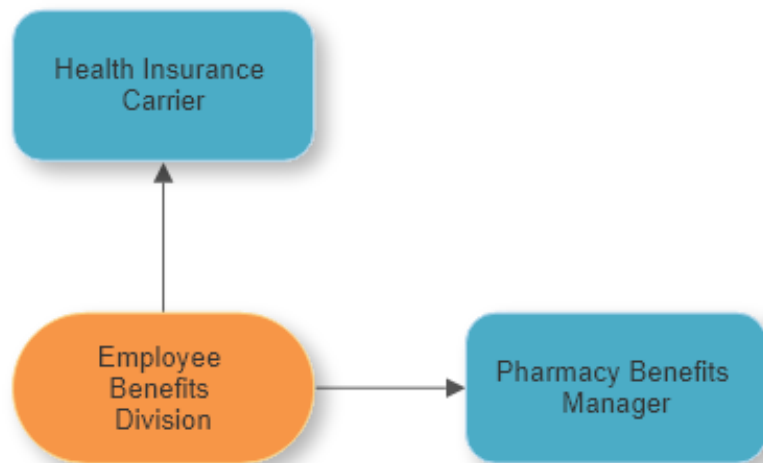
## Unknown Controls

To be determined by C4 operational controls review

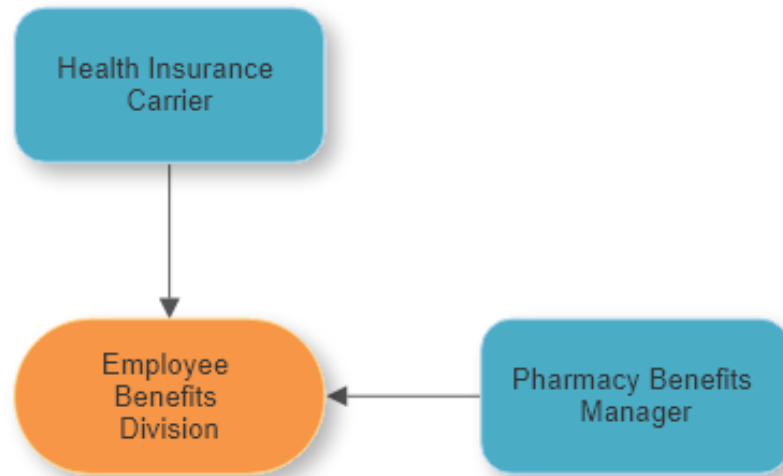
# Example of Controls



## Managing Enrollments to Ensure Proper Payments/Coverage



Example 1: Single Source Enrollment

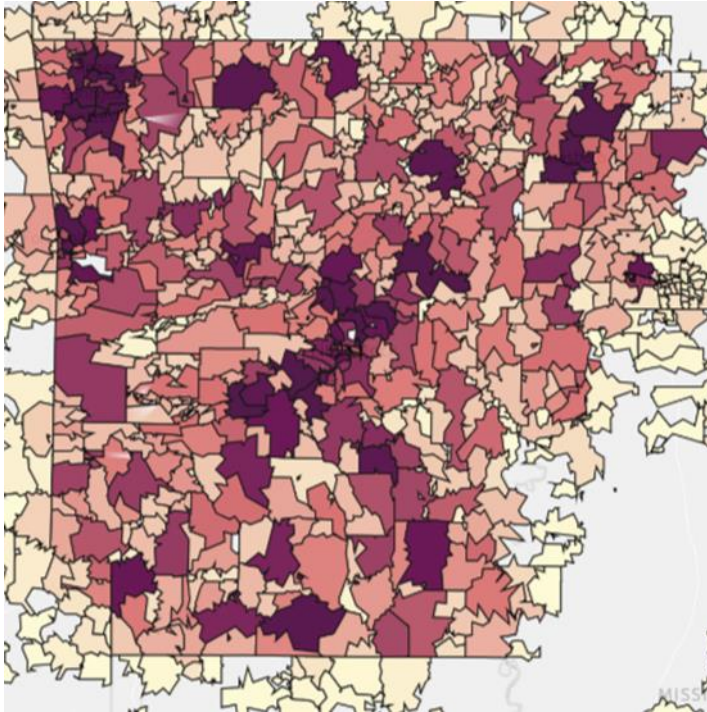


Example 2: Enrollment Reconciliation

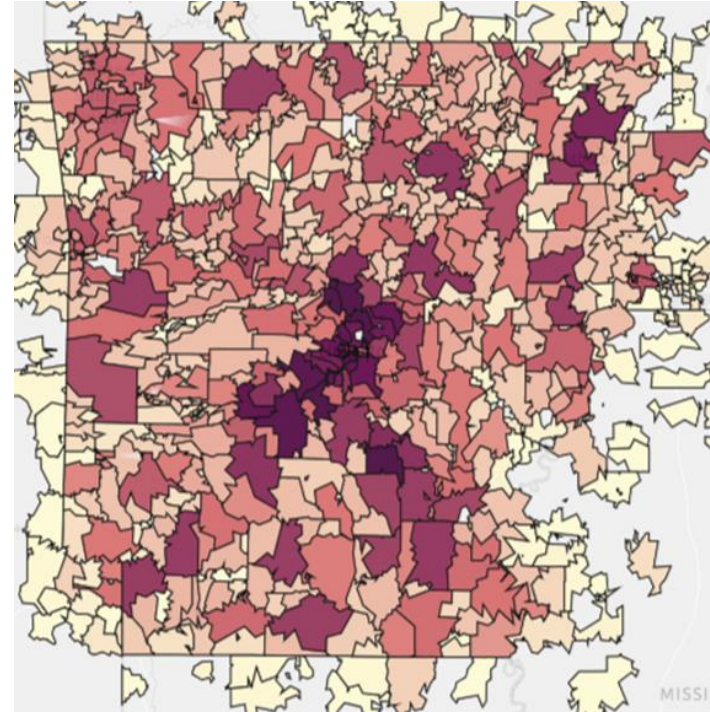
# Experience with Geographic Distribution



PSE



ASE

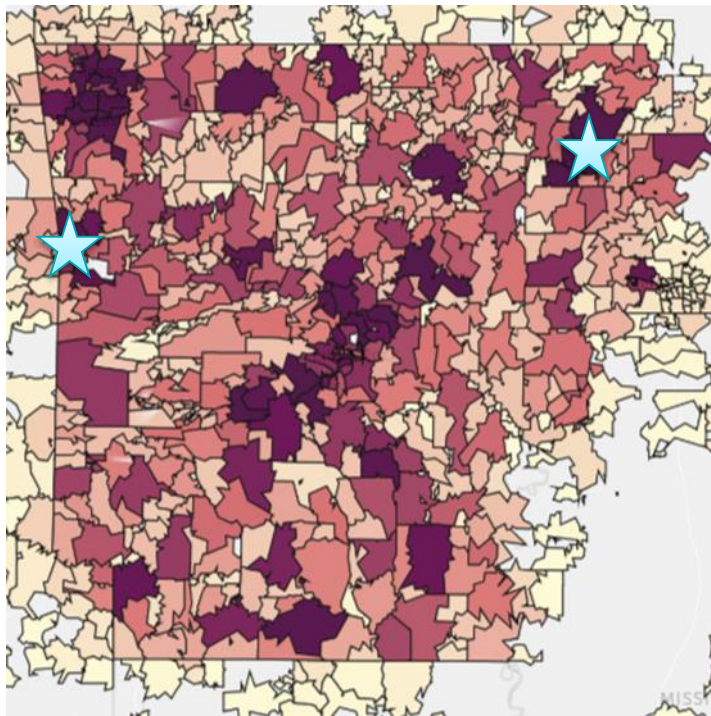




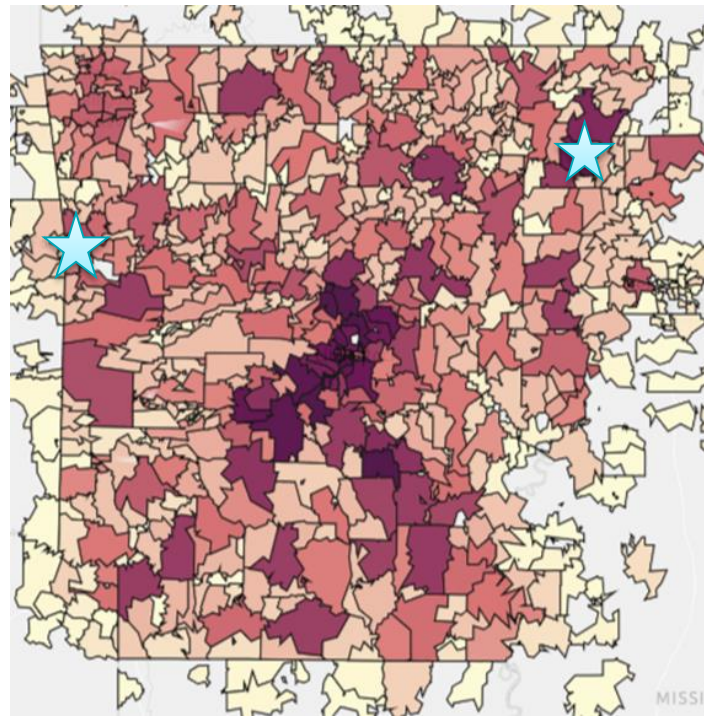
# Blue Distinction+ Cardiac Care Hospitals



PSE



ASE







## Some options



- Plan design incentives to drive care to the highest quality and lowest cost providers
- Live phone concierge support to discuss options
- Bundled, negotiated services to simplify costs
  - Allows for easier consumer comparisons and avoids surprises

# Plan Design Example



**ECHELON**  
BENEFITS GROUP

## Scheduled Procedure – 2 Day Inpatient Stay

### Hospital A

*4 miles from patient home*

Facility Allowed Charges: \$95,000  
Implant: \$23,000  
**Facility Total: \$118,000**

#### Separate Costs:

- Surgeon: \$5,800
- Anesthesia: \$2,300
- PT: \$1,900

**Separate Total: \$10,000**

**Total Procedure Cost: \$128,000**

#### Member Out-Of-Pocket:

Deductible: \$2,000  
Coinsurance: \$6,000  
**Total: \$8,000**

**Total Plan Costs: \$120,000**

### Hospital B

*160 miles from patient home*

Bundled Fee\*: \$78,000

\*Total includes facility fee, surgeon fee, implant, anesthesia, and PT.

Member Out-Of-Pocket: **WAIVED**

Member Travel Expenses Paid by Plan (hotel, food per diem, mileage reimbursement): \$800

**Total Plan Costs: \$78,800**

### Hospital C

*42 miles from patient home*

Facility Allowed Charges: \$68,000  
Implant: \$18,600  
**Facility Total: \$86,600**

#### Separate Costs:

- Surgeon: \$5,800
- Anesthesia: \$2,300
- Pre-Post PT: \$1,900

**Separate Total: \$10,000**

**Total Procedure Cost: \$96,600**

#### Member Out-Of-Pocket:

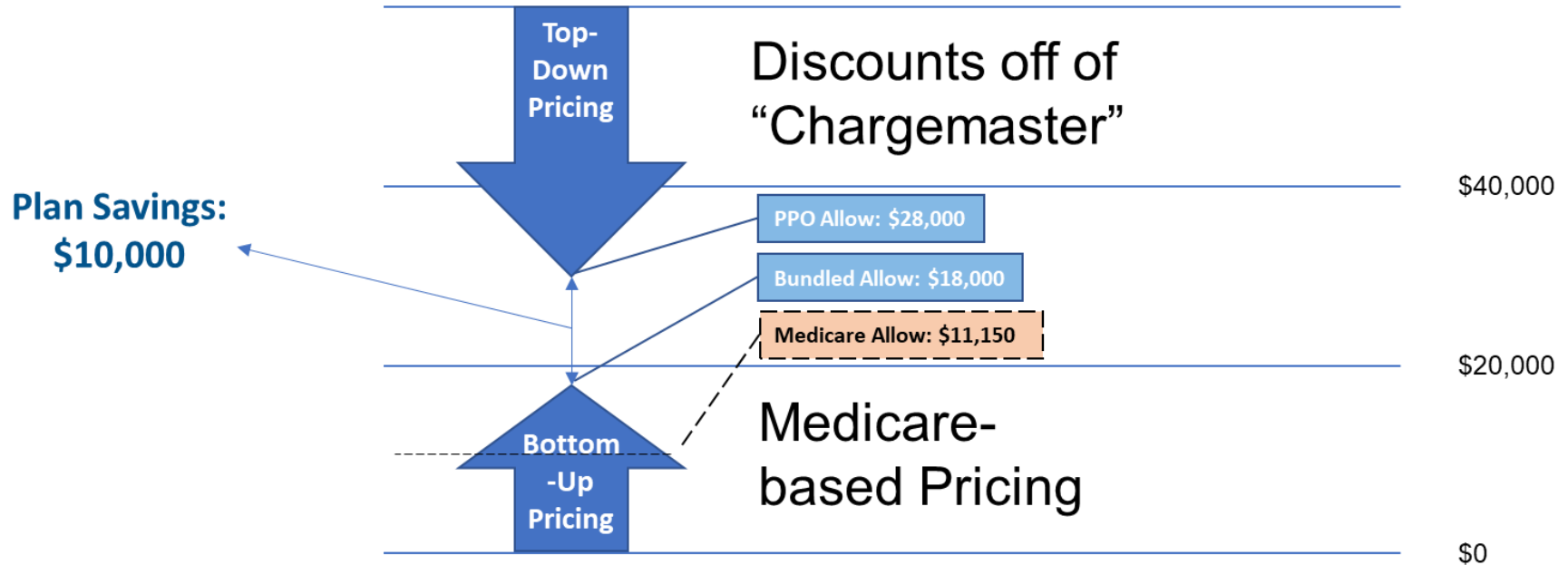
Deductible: \$2,000  
Coinsurance: **WAIVED**  
**Total: \$2,000**

**Total Plan Costs: \$94,600**

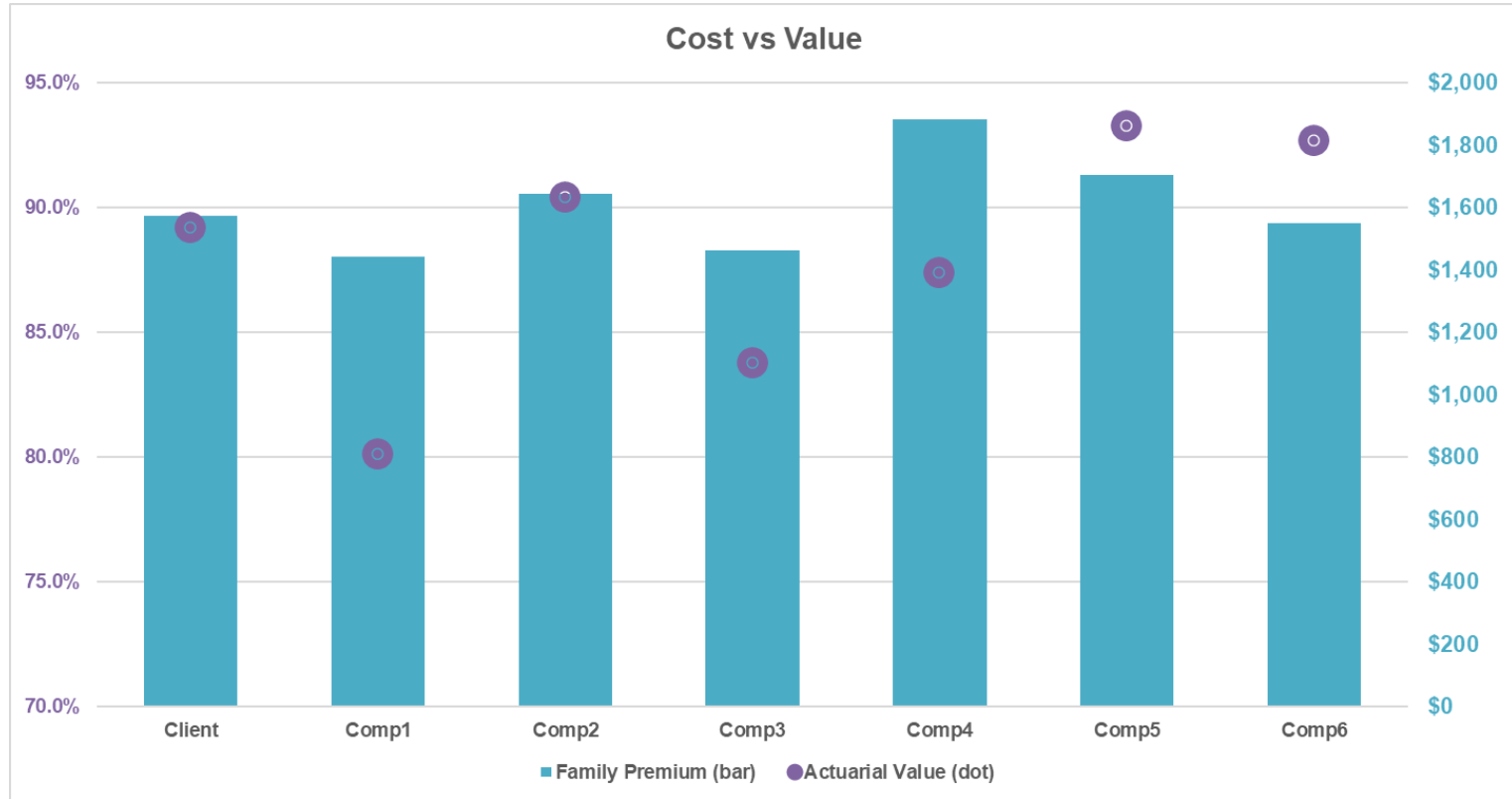
# Bottom-Up vs. Top-Down Pricing



**ECHELON**  
BENEFITS GROUP

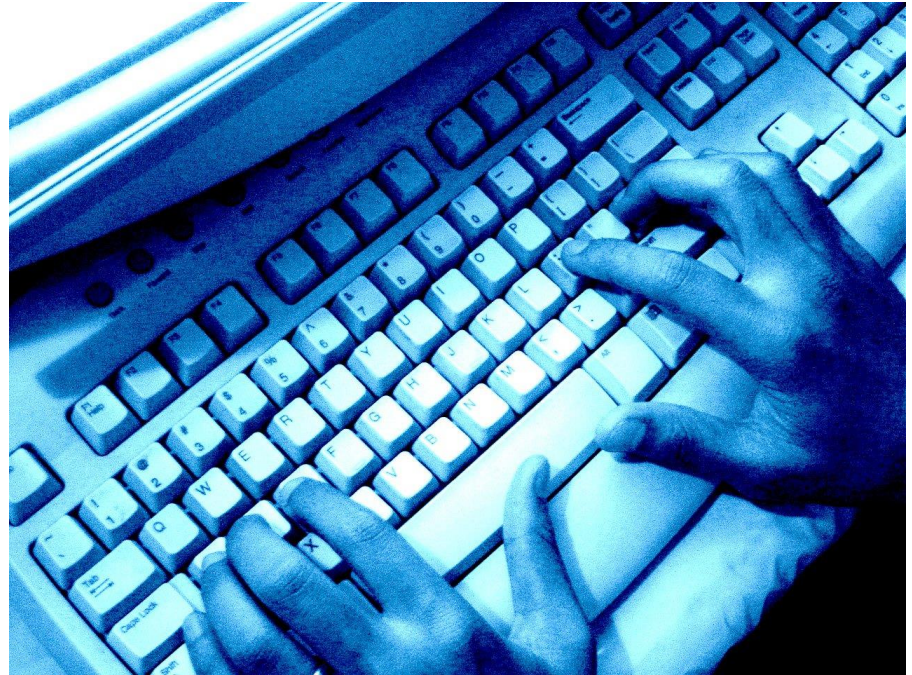


# Sample Plan Comparison





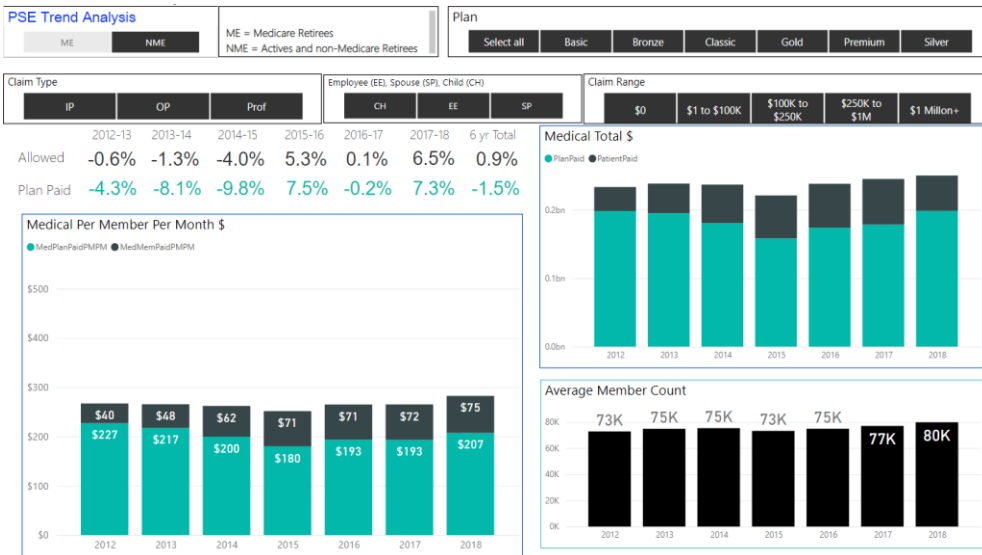
Cheiron  
consultants are  
hands-on with  
technology



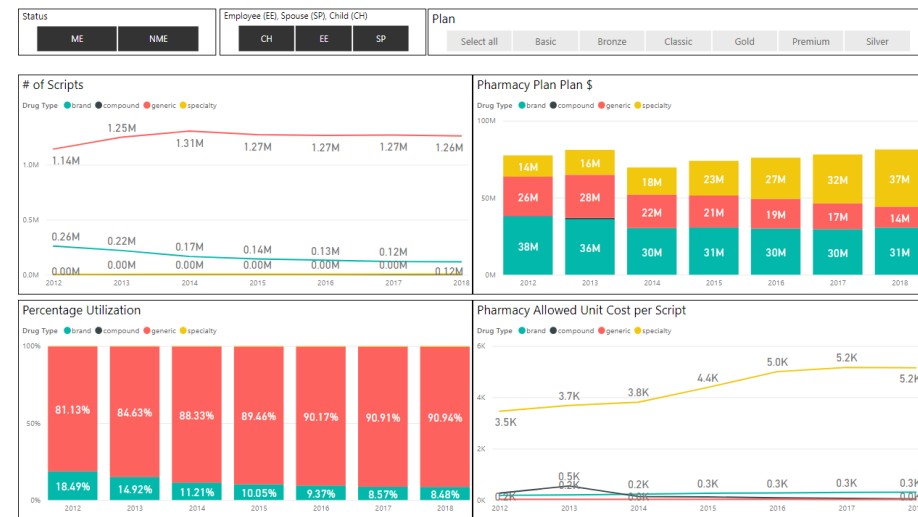
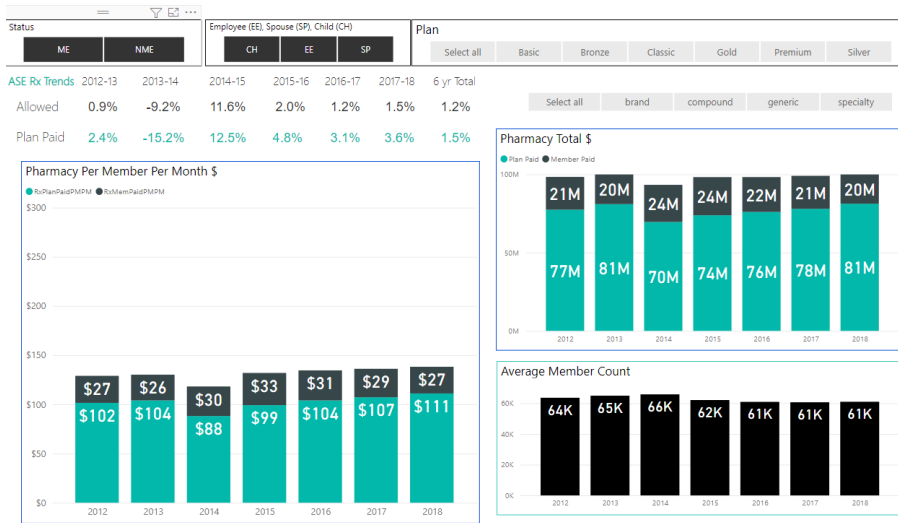
# Cheiron Health BI: Medical Trends



Identifies drivers of trends



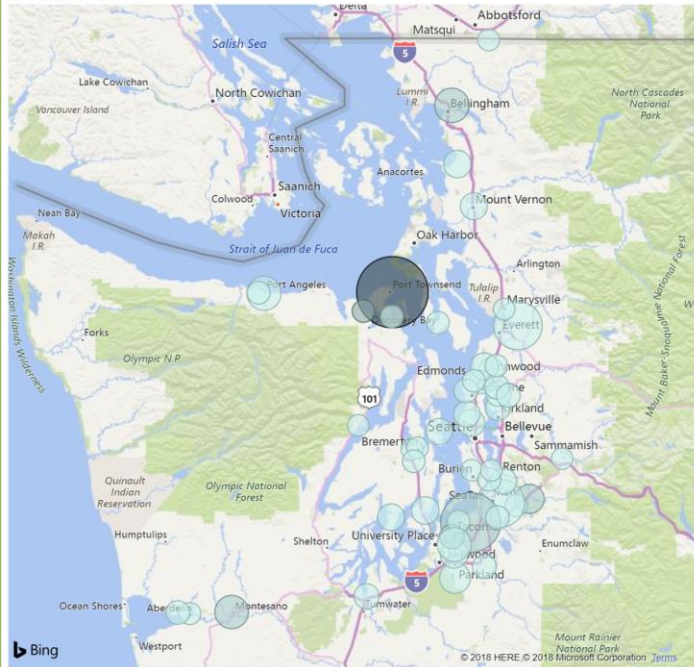
# Cheiron Health BI: Pharmacy Trends



# Technology: Cheiron Health BI



ER Visits by Zip



Each bubble represents one zip code. Zip codes containing 25 or fewer members have been removed.

ER Utilization Monitoring Report (incurred CY 2016)

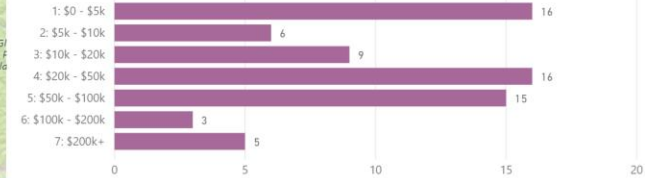
Patient Count



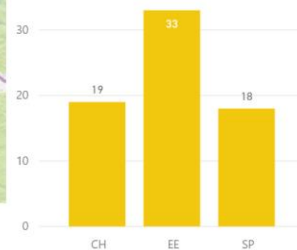
Visit Range



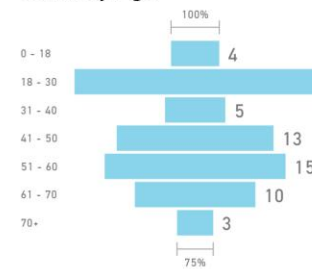
Claim Range



Count by Relation



Count by Age





# H-Scan



## Model alternative funding approaches



### Options & Stress Testing

H-scan

	2019	2020	2021	2022	2023	RX Mgmt Savings	\$12.0	Benefit Change 1	No		
Medical Trend	5.5%	5.5%	5.5%	5.5%	5.5%	% to ASE	55.0%	Reduced Contrib.	\$66.04		
Pharmacy Trend	5.5%	5.5%	5.5%	5.5%	5.5%	Effective Date	10/1/2019	ASE Premium Parity	No		
Expense Trend	2%	2%	2%	2%	2%						
	2020		2021+			ASE State Funding	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023
PSE Rate Increase	0.0%		minimum	0%		Budgeted Pos'n Rate	\$ 420	\$ 420	\$ 420	\$ 420	\$ 420
ASE Rate Increase	16.2%		minimum	0%		Budgeted Positions	#####	#####	#####	#####	#####
Annual Increase in PSE Funding			State	0%		DESIRED CONTINGENCY RESERVES (\$MIL)					
			District	1%		PSE	\$58.5	\$58.5	\$58.5	\$58.5	
Rate Increase	Option 1	Option 2				ASE	\$30.6	\$30.6	\$30.6	\$30.6	
PSE	3.0%	5.0%									
ASE	12.3%	16.2%									

#### TOTAL CHANGE IN EMPLOYEE/RETIREE CONTRIBUTION RATES NEEDED

PSE	2020	2021	2022	2023
Medical Trend	5.5%	5.5%	5.5%	5.5%
Pharmacy Trend	5.5%	5.5%	5.5%	5.5%
Rate Increase	0%	23%	19%	16%
New Reserve Allocation (\$mil)	\$43.4	\$2.5	\$0.0	\$0.0

ASE	2020	2021	2022	2023
Medical Trend	5.5%	5.5%	5.5%	5.5%
Pharmacy Trend	5.5%	5.5%	5.5%	5.5%
Rate Increase	16%	23%	19%	14%
New Reserve Allocation (\$mil)	\$13.4	\$0.1	\$0.0	\$0.0



### PSE Active Contribution Rates

H-scan

<b>Wellness Incentive</b>		<b>Benefits (Ded)</b>		<b>Premium Rates</b>		<b>Employee Cost</b>	
Incentive PEPM	\$75	Premium	Current	Risk Adjust Prem? (YN%)	No	Method	Percent
% Wellness Util	90%	Classic	Current	Blend Actives & NME Ret?	Yes	Premium Change	0.0%
Current Wellness Util	90%	Basic	Current	Reserve Contrib per Adult	\$0.00	Classic Change	0.0%
Cost per New Exam	\$0	PT Eligible	No	Reserve Load	0%	Basic Change	0.0%
Claim Savings 2015	0.0%	Bariat. Surg	Excluded	Other Income offsets rates?	No	Not Used	
Incentive offsets rates?	No	# Spouse	0%	<b>Migration Scenario</b>	C	Min EE only Classic	\$0.00
NME Med Claims Flux	0%	# Child/EE	0%	% Bronze to Basic	20%	Cap at Prem - Dist?	No

Actives	Unadjusted Total Rate	Direct State Contrib. & Other	Reserve Used / (Added)	School District Contrib.	2020 Employee Cost	2019 Employee Cost	Change in EE Cost (\$%)	Assumed Enrollment	Prior Year Rate	Percent Change
Premium										
Employee Only	\$612.64	\$221.92	\$39.07	\$160.69	\$183.46	\$183.46	\$0.00	0%	13,641	\$555.98 10%
Employee & Spouse	1,425.40	358.32	67.69	160.69	831.20	831.20	0.00	0%	255	1,328.58 7%
Employee & Child(ren)	1,070.82	363.35	68.74	160.69	470.54	470.54	0.00	0%	2,275	967.92 11%
Family	1,883.58	735.19	146.76	160.69	833.44	833.44	0.00	0%	473	1,555.82 21%
Est. Monthly Total (\$mil)	\$12.0	\$4.3	\$0.8	\$2.7	\$4.3	\$4.3	\$0.0	0%	16,644	\$10.9 11%
Classic										
Employee Only	\$322.14	\$95.41	\$12.52	\$160.69	\$46.02	\$46.02	\$0.00	0%	14,783	\$313.40 3%
Employee & Spouse	711.56	162.21	26.54	160.69	354.62	354.62	0.00	0%	1,740	717.00 -1%
Employee & Child(ren)	541.66	183.95	31.10	160.69	158.42	158.42	0.00	0%	6,488	520.80 4%
Family	931.08	340.60	63.97	160.69	358.32	358.32	0.00	0%	3,764	900.70 3%
Est. Monthly Total (\$mil)	\$13.0	\$4.2	\$0.7	\$4.3	\$3.9	\$3.9	\$0.0	0%	26,774	\$11.9 9%
Basic										
Employee Only	\$179.74	\$6.44	(\$6.15)	\$160.69	\$11.26	\$11.26	\$0.00	0%	3,637	\$251.64 -29%
Employee & Spouse	361.60	0.00	(79.37)	160.69	272.78	272.78	0.00	0%	265	535.16 -32%
Employee & Child(ren)	282.26	0.00	(7.79)	160.69	121.86	121.86	0.00	0%	592	384.24 -27%
Family	464.12	22.99	(2.68)	160.69	275.62	275.62	0.00	0%	435	603.00 -23%
Est. Monthly Total (\$mil)	\$1.1	\$0.0	(\$0.0)	\$0.8	\$0.3	\$0.3	\$0.0	0%	4,929	\$1.4 -22%
Total (Monthly) (\$ mil)	\$26.2	\$8.5	\$1.4	\$7.8	\$8.5	\$8.5	\$0.0	0%	48,347	\$24.2
Est Annual Total (\$ mil)	\$314.2	\$101.9	\$16.8	\$93.2	\$102.2	\$102.2	\$0.0	0%		\$290.8 8%
Total Active & Ret (\$ mil)	\$360.1	\$101.9	\$29.3	\$93.2	\$135.7	\$135.7	\$0.0	0%	65,545	

Employee Cost assumes wellness participation. Total employee cost reflects 10% assumed not to receive \$75 wellness credit.

Show the impact on participants and the State



# Unbiased Options



- We seek to empower you to understand and manage the risks of your health plans
- We present options with associated risks
- We allow you to stress test those options
  - You can stress test with your chosen inputs & assumptions

# Why Cheiron?



**Our Mission**

**Conflict Free**

**Experience  
with  
Arkansas**

**Healthcare  
Market  
Knowledge**

**Use of  
Technology**

**Unbiased  
Options**

# Any Further Questions?



**Classic Values, Innovative Advice.**

***Cheiron*** (pronounced *kī'ron*), the immortal centaur from Greek mythology, broke away from the pack and was educated by the gods. Cheiron became a mentor to classical Greek heroes, then sacrificed his immortality and was awarded in eternity as the constellation Sagittarius.



Classic Values, Innovative Advice. [www.cheiron.us](http://www.cheiron.us)



*Classic Values, Innovative Advice*