CHROME Compass

ContinuousHealth Reform Optimizer and Management Environment *(CHROME)*

www.chromecompass.com

Financial Modeling and Strategy Output *(Confidential)*

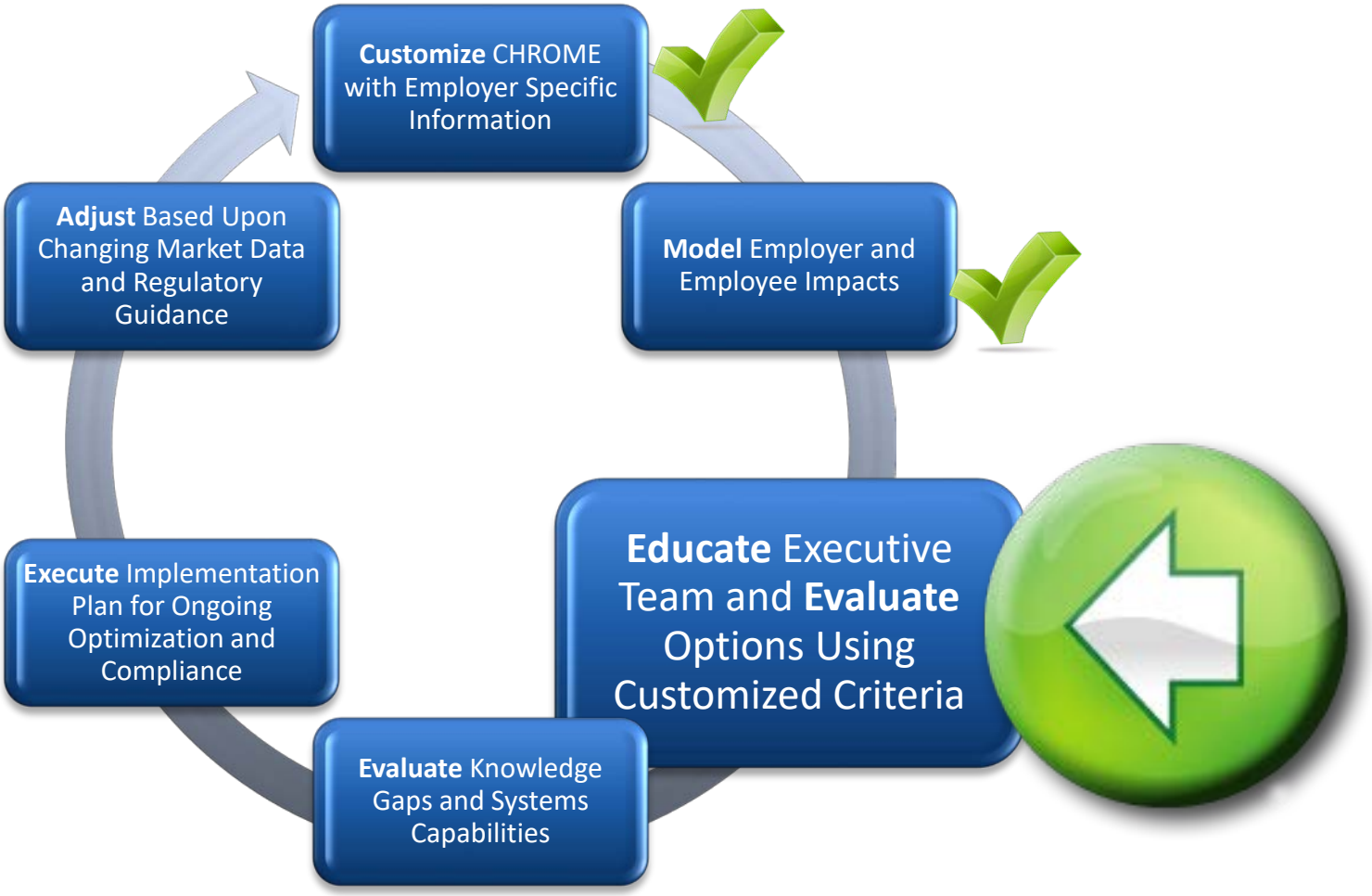
Collier 100 YEARS
INSURANCE FOR THE UNEXPECTED

Continuous Health

What is CHROME Compass?

- The ContinuousHealth Reform Optimizer and Management Environment (CHROME) Compass is a proprietary modeling and planning platform providing a **strategic framework** for employers to understand and evaluate the impact that Health Care Reform will have on its group health plans.
- CHROME Compass combines people, process and technology in a unique solution available to you through your broker representative.

The CHROME Process



Current Situation (What the Data Reveals)

- Arkansas Public Schools has approximately 80,718 employees, 61,093 working 30+ hours per week.
- There are currently 57,747 employees that are participating in the 3 plans offered, 21,702 that are waiving coverage and 1,269 who are currently ineligible for medical coverage.

Plan	Grandfathered?	Self-insured?	Enrollment	% Enrolled
Gold	No	Yes	27,874	48%
Silver	No	Yes	5,092	9%
Bronze	No	Yes	24,781	43%

Current Cost (Not tax adjusted)

Total
$318,256,387

ER Total
$189,166,470

EE Total
$129,089,917

Data Completion Methodology

- 73,391 unique demographic records were identified on the census provided
  - Employees with multiple jobs were collapsed into one record that reflected the cumulative salary. The district at which the employee worked the most hours was retained as the district for the record.
- A combination of State ID and SSN was used to match demographic records, benefit records, and hours provided by the districts.
- 19,292 records on the benefit census were duplicate employee IDs. The most recent record was retained and the rest were removed from the census.
- 7,837 benefit records with no corresponding demographic record were excluded from the analysis.
  - Of those, 3,716 were waived and 4,122 were enrolled in coverage.
- 556 employees with no gender were assumed to be female.
  - 77% of employees with a known gender are female
- 578 employees with no date of birth were given the average birth date for the group: 9/11/1967
- One employee with a DOB of 10/24/2063 was changed to 10/24/1963
- 1,269 employee with no zip code were assumed to have the most common zip code: 72762
- One employee with the zip code 726|7 was changed to 72617
- 2,153 employees with no hours reported that were also not on the benefit census were excluded form the analysis
- 1,320 employees reported with less than 30 hours that were also not on the benefit census were excluded form the analysis
- There were 7,313 employees for which we received no hours.
  - 3,356 had annual salary above $20,000 and were assumed to be full-time; the remaining 3,957 were assumed to be part-time
- Retiree enrollment data was provided in 8 tiers; however, actual pricing is in 20 tiers.

	Enrolled	Waived	Not on Ben Census	*Total*
30+ hours	**42,293**	**17,409**	**1,269**	**60,971**
<30 hours	**4,654**	**4,293**		**8,947**

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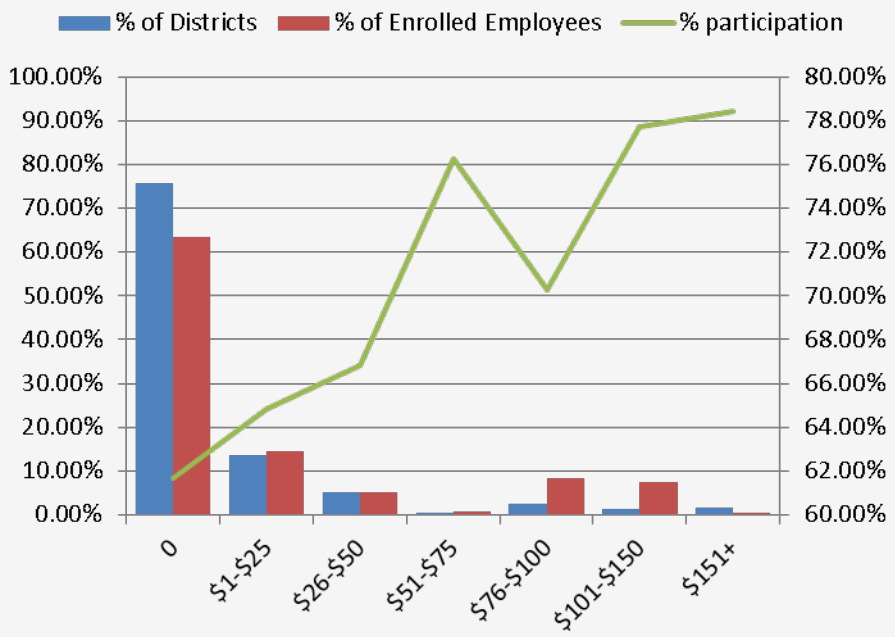
Contributions by district

Additional Contribution	% of Districts	% of Enrolled Employees	Participation Rate
$0	75.71%	63.51%	61.65%
$1-$25	13.56%	14.42%	64.82%
$26-$50	5.05%	5.14%	66.80%
$51-$75	0.32%	0.59%	76.25%
$76-$100	2.52%	8.35%	70.28%
$101-$150	1.26%	7.56%	77.70%
$151+	1.58%	0.45%	78.46%



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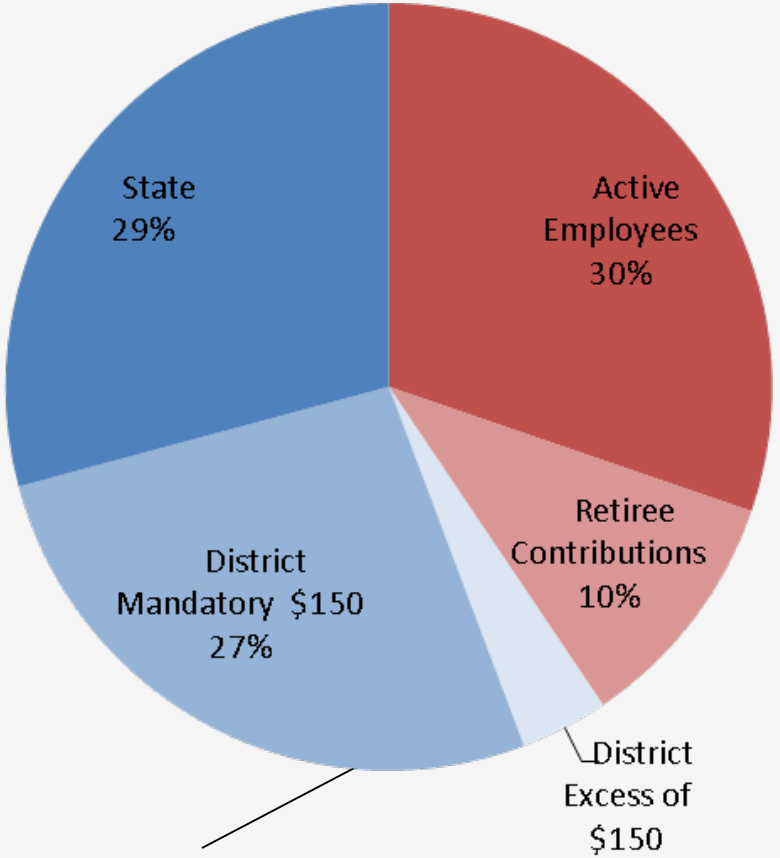
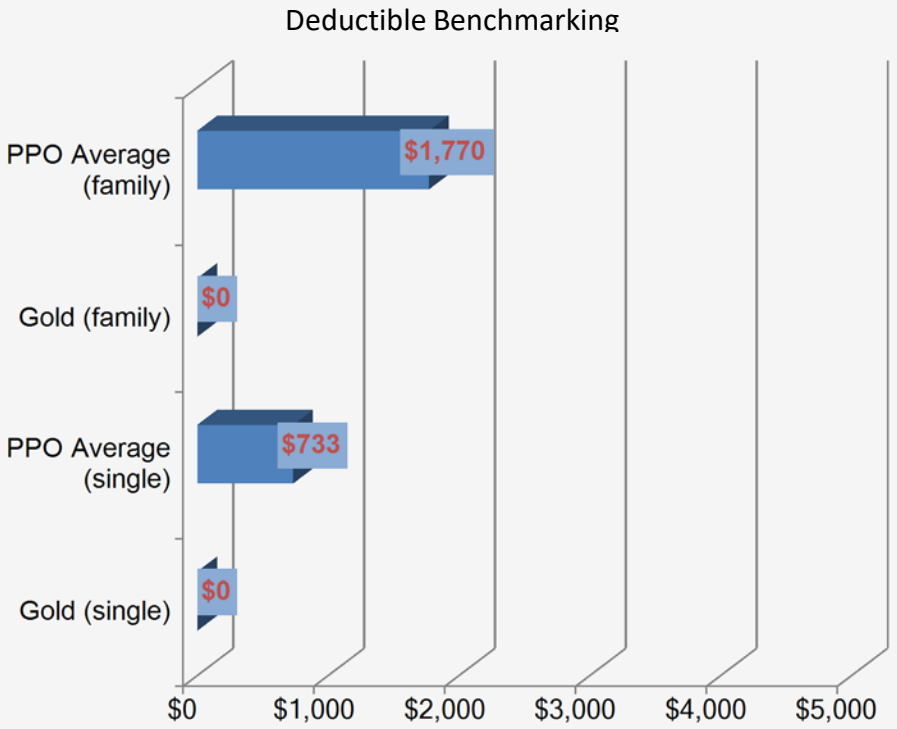
Funding Distribution

Additional Contribution	% of Total	Annual Total in $
Active Employees	30.26%	$96,299,355
Retiree Contributions	10.30%	$32,790,562
State	29.19%	$92,884,736
District Mandatory $150	26.55%	$84,504,600
District Excess of $150	3.70%	$11,777,133



Current Plan Design - Gold

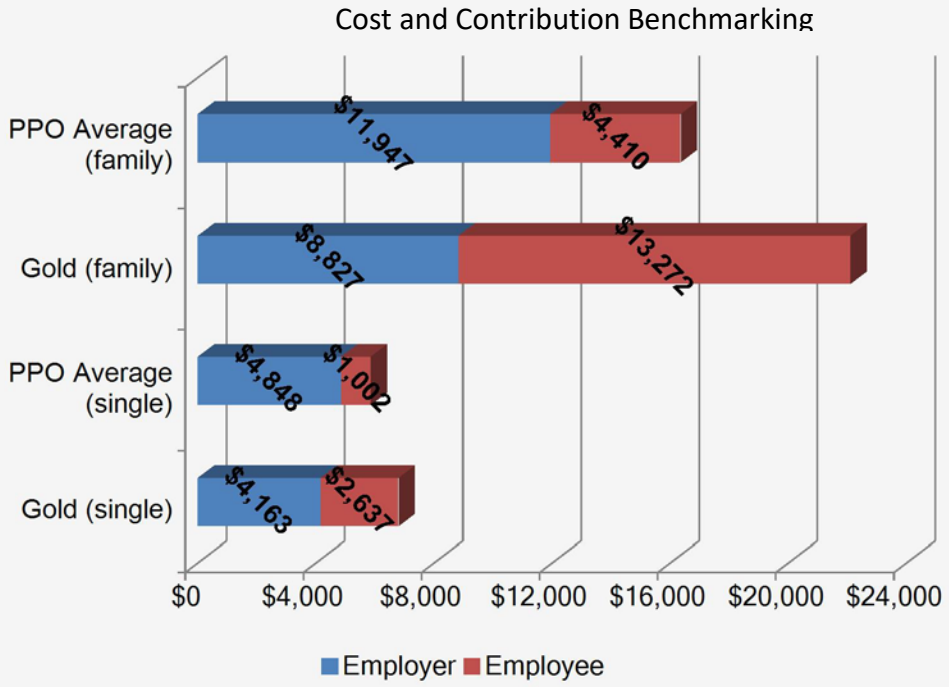
- **Deductible**
  - $0.00 Single/$0.00 Family Deductible
- **Out of Pocket Maximum**
  - $2,500.00 Single/$5,000.00 Family OOP
- **Copays/Coinsurance**
  - 20% coinsurance
  - $35.00 Routine Office Visit
  - $70.00 Specialist Visit
  - $15.00 Tier 1 Prescription
  - $40.00 Tier 2 Prescription
  - $80.00 Tier 3 Prescription



** Kaiser Family Foundation, 2012*

Current Cost and Contribution Structure - Gold

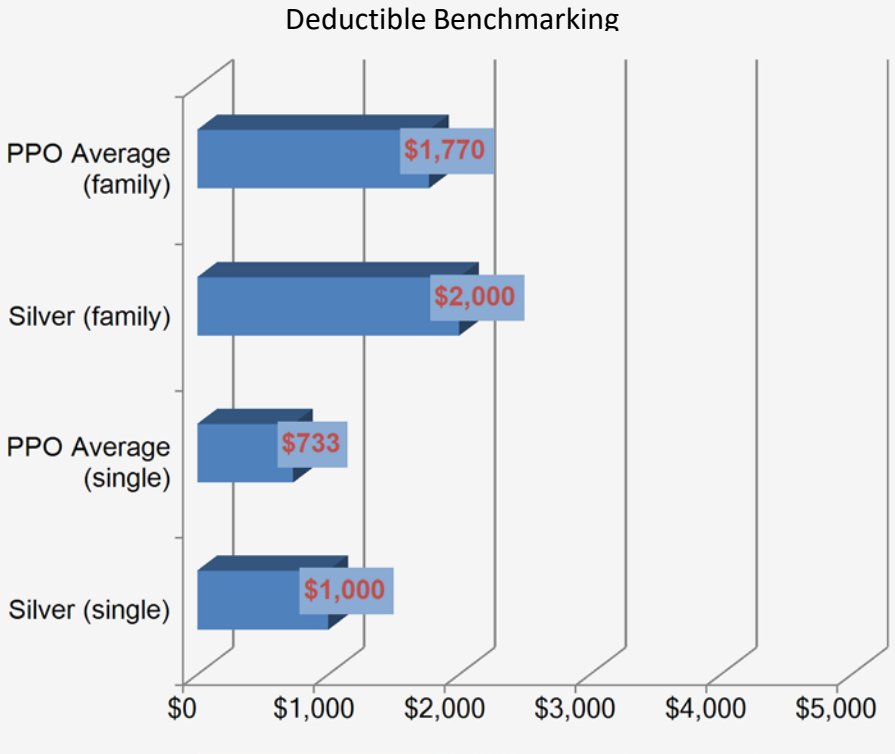
- **Key Considerations**
  - **Employees Covered**
    - 17888 (38.1% of covered employees)
  - **Total Cost**
    - Single = 116.25% of Benchmark
    - Family = 135.11% of Benchmark
  - **Employee Contributions**
    - Single = 263.22% of Benchmark
    - Family = 300.95% of Benchmark



** Kaiser Family Foundation, 2012*

Current Plan Design - Silver

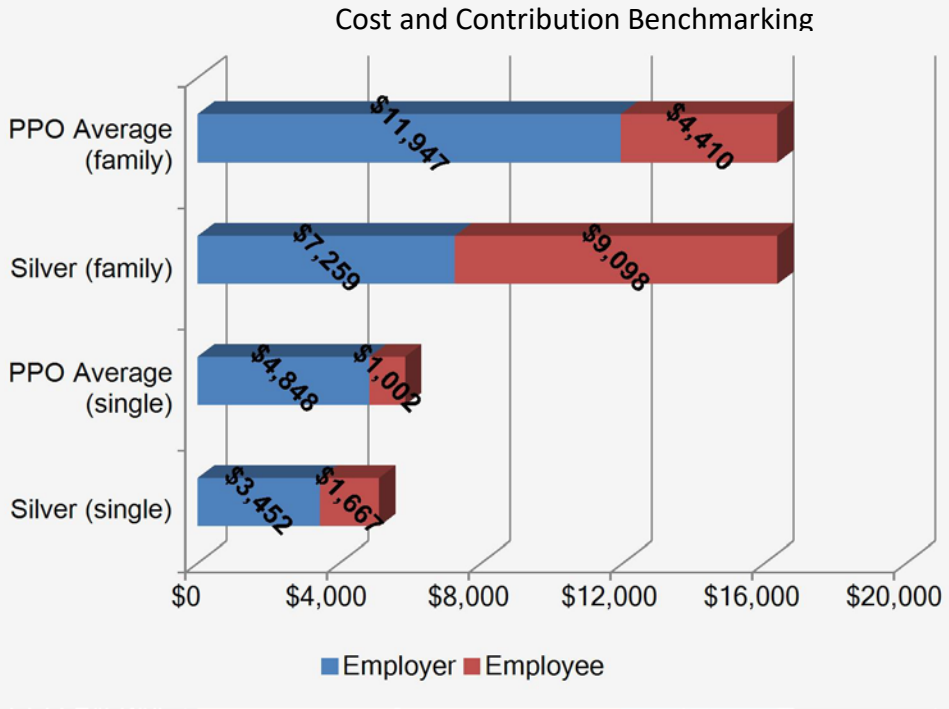
- **Deductible**
  - $1,000.00 Single/$2,000.00 Family Deductible
- **Out of Pocket Maximum**
  - $4,000.00 Single/$8,000.00 Family OOP
- **Copays/Coinsurance**
  - 20% coinsurance
  - $35.00 Routine Office Visit
  - $70.00 Specialist Visit
  - $15.00 Tier 1 Prescription
  - $40.00 Tier 2 Prescription
  - $80.00 Tier 3 Prescription



** Kaiser Family Foundation, 2012*

Current Cost and Contribution Structure - Silver

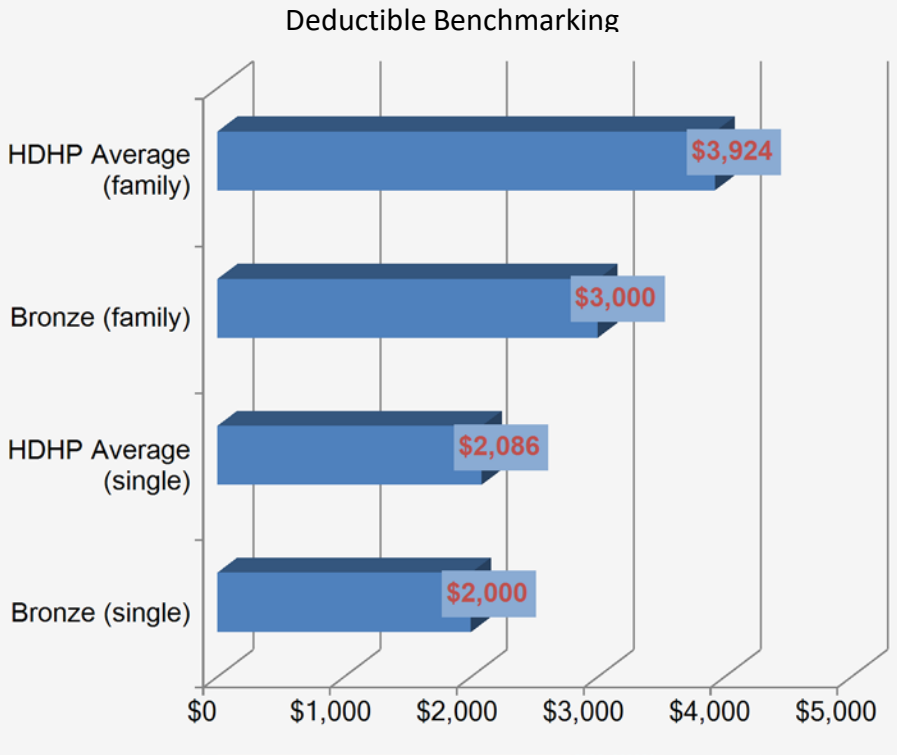
- **Key Considerations**
  - **Employees Covered**
    - 5035 (10.72% of covered employees)
  - **Total Cost**
    - Single = 87.51% of Benchmark
    - Family = 100% of Benchmark
  - **Employee Contributions**
    - Single = 166.41% of Benchmark
    - Family = 206.3% of Benchmark



** Kaiser Family Foundation, 2012*

Current Plan Design - Bronze

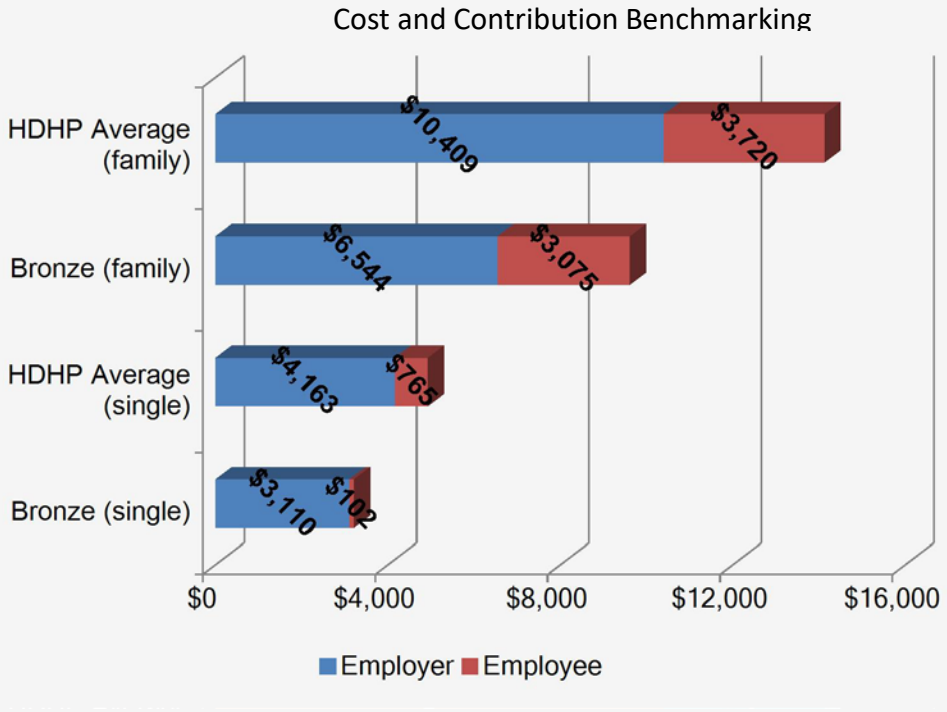
- **Deductible**
  - $2,000.00 Single/$3,000.00 Family Deductible
- **Out of Pocket Maximum**
  - $6,350.00 Single/$9,525.00 Family OOP
- **Copays/Coinsurance**
  - 80% coinsurance
  - 80% Routine Office Visit
  - 80% Specialist Visit
  - 80% Tier 1 Prescription
  - 80% Tier 2 Prescription
  - 80% Tier 3 Prescription



** Kaiser Family Foundation, 2012*

Current Cost and Contribution Structure - Bronze

- **Key Considerations**
  - **Employees Covered**
    - 24024 (51.17% of covered employees)
  - **Total Cost**
    - Single = 65.18% of Benchmark
    - Family = 68.07% of Benchmark
  - **Employee Contributions**
    - Single = 13.32% of Benchmark
    - Family = 82.65% of Benchmark

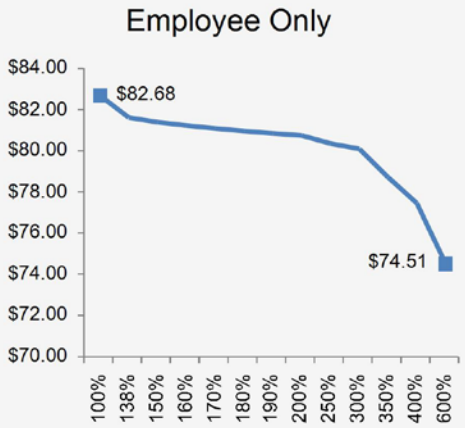


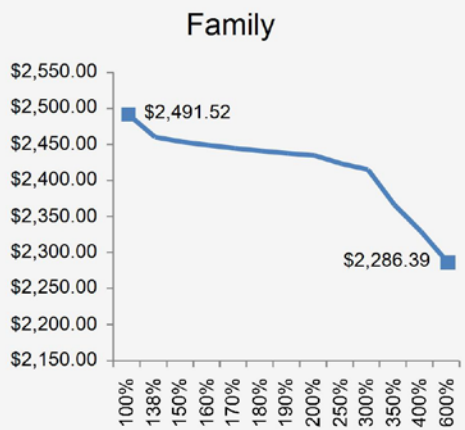
** Kaiser Family Foundation, 2012*

Benefit of pre-tax deductions

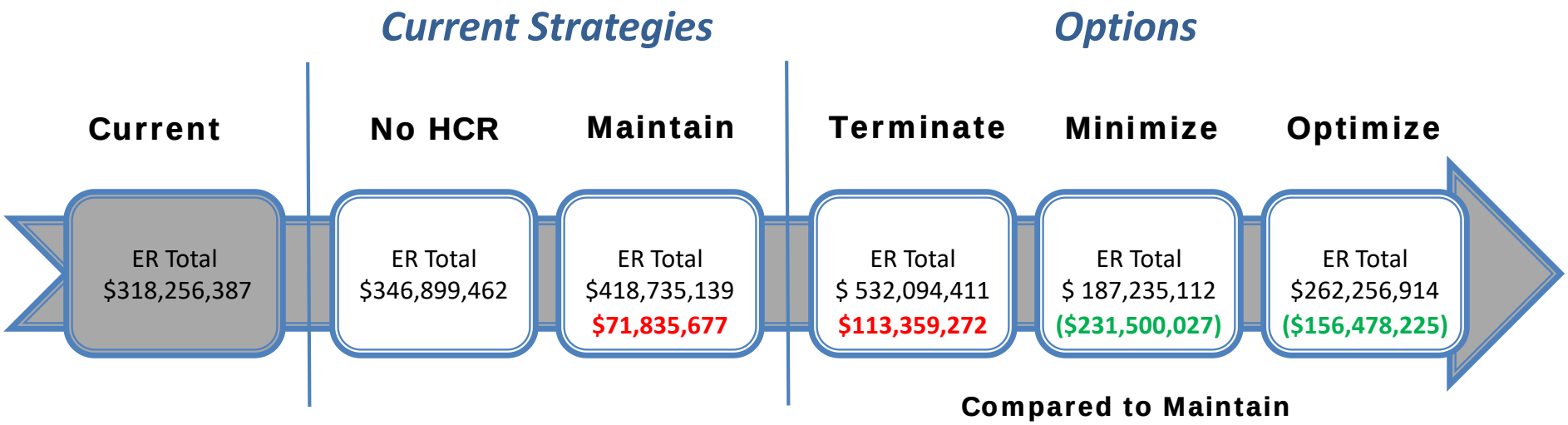
- **Key Considerations:**
  - Individual tax rates are progressive, with the highest income individuals being taxed at a higher rate than the lowest.
- **Implications:**
  - Higher net worth individuals pay less for their coverage on an after-tax basis.
- **Compass Heading:**
  - At 600% FPL the tax benefit is $8.17 greater than at 100% FPL for employee only coverage.
  - At 600% FPL the tax benefit is $205.12 greater than at 100% FPL for family coverage.

Net cost of coverage along FPL



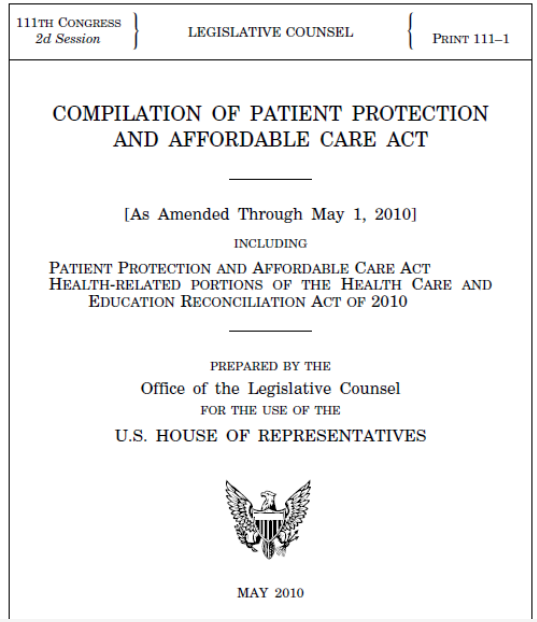


The Bottom Line - 2015



Background

- **Senate Bill**
  - "Patient Protection and Affordable Care Act" P.L. 111-148 - March 23, 2010
- **Reconciliation Bill**
  - "Health Care and Education Reconciliation Act of 2010" P.L. 111-152 - March 30, 2010
- **Staged Implementation**
  - Some Immediate Provisions
  - First Major Employer Milestone First Renewal After Six Month Anniversary of Law's Passage
  - Annual Employer Milestones Thereafter
- **Full Impact of Health Care Reform**
  - State Health Insurance Exchanges are in place in 2014
  - Individuals must have health care coverage or pay penalty in 2014
  - Applies to all full-time employees working average 30 hours per week
  - Employers offer minimum coverage or pay penalty *(penalty delayed to 2015)*



111TH CONGRESS *2d Session* | LEGISLATIVE COUNSEL | PRINT 111–1

COMPILATION OF PATIENT PROTECTION AND AFFORDABLE CARE ACT

[As Amended Through May 1, 2010]

INCLUDING

PATIENT PROTECTION AND AFFORDABLE CARE ACT
HEALTH-RELATED PORTIONS OF THE HEALTH CARE AND EDUCATION RECONCILIATION ACT OF 2010

PREPARED BY THE
Office of the Legislative Counsel
FOR THE USE OF THE
U.S. HOUSE OF REPRESENTATIVES

MAY 2010

"Just in Time" Regulations & Guidance

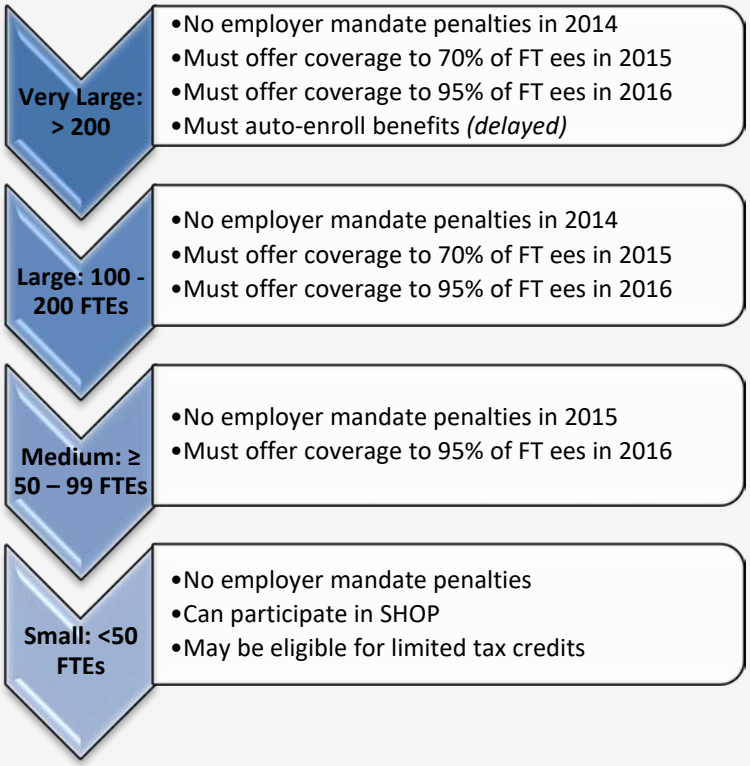
- **Over 1,000 places calling for additional regulation or guidance.** Many implied but not enumerated (i.e. Tax Change for Adult Dependents)
- So far, most of the regulations and guidance have fallen into one of four buckets:
  - The final bill was relatively clear on the issue and the issued guidance was a **straight-line** interpretation of the bill
  - The legislated requirement may have been cumbersome and difficult to implement. The guidance has been **postponed**.
  - The requirement could have been interpreted either friendly or adverse for employers. The issued guidance was **employer-friendly**.
  - The guidance issued around a requirement was relatively loose and final determination was **deferred to the states**.

Straight Line	Postponed
• "Fair Access " hours requirement • Caps and out-of-pocket limits on individual and small group plans • Medical Loss Ratio (MLR) Requirements	• Discrimination testing guidance • W-2 reporting requirements • Auto-enrollment guidance • Employer reporting and penalties
Employer Friendly	**Deferred to States**
• Guidance on the "Affordability" measurement • Guidance on "Seasonal Employees" • Waivers granted to certain employers for Limited Medical plans • Guidance on "Measurement" and "Stability" periods • Dependent defined to exclude spouses	• Definition of "Essential Benefits" • Development and operation of the Exchanges • Expand provider and health system capacity • Medicaid eligibility expansion

Employer Size Matters

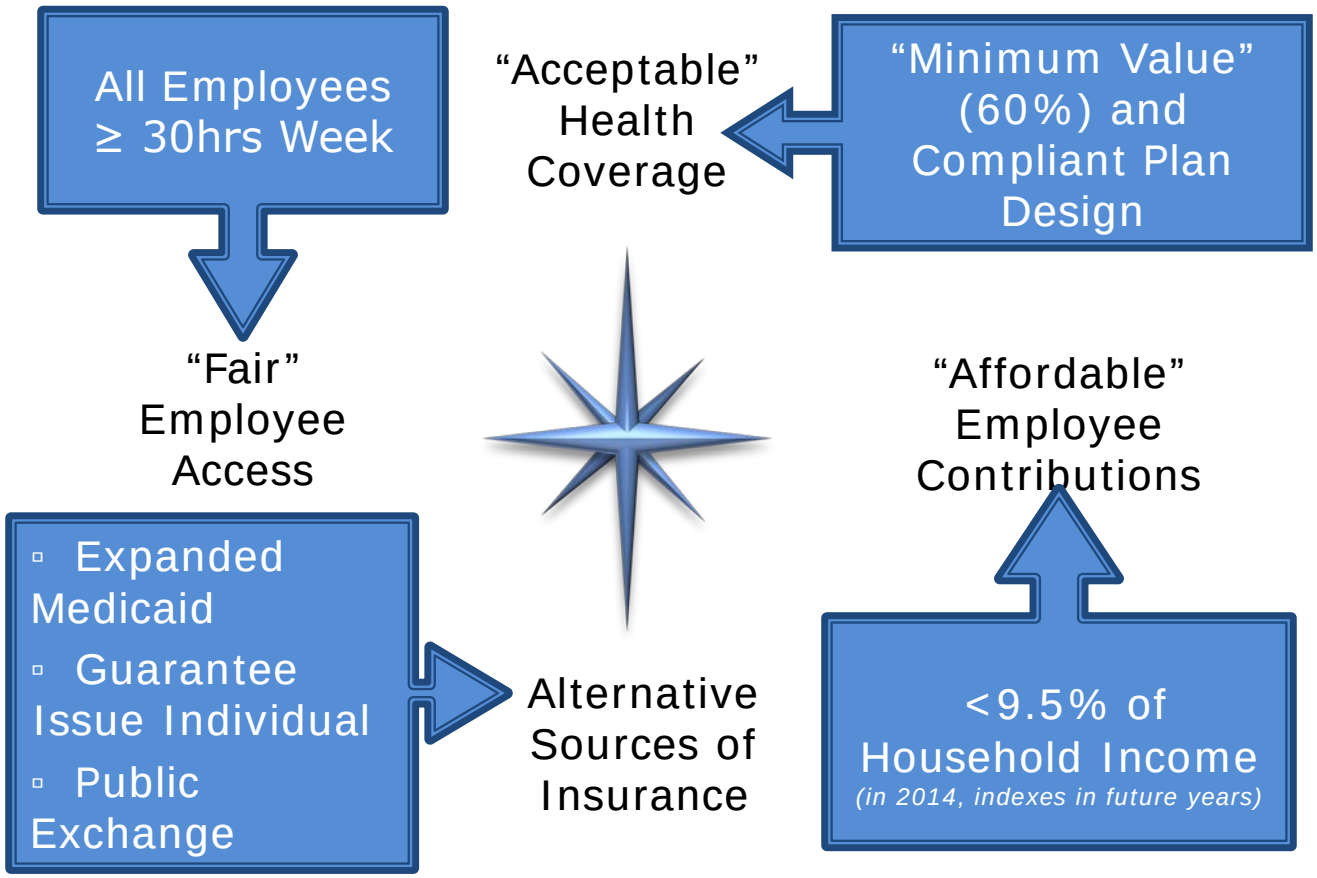
- **PPACA adds different requirements for employers, dependent on employer size.**
- **The determination is based on number of full-time employees (≥ 30 hrs) *and* full-time equivalents (FTEs).**
  - **To calculate the number of FTEs: total the number of part-time hours per month divided by 120.**
- **Common ownership will cause firms to be aggregated for purposes of determining size.**
- **For "small employers" : maximum tax credit of 35% of premium for firms with 10 workers and average wages of $25K. Credit phases out for up to 25 workers and $50K in average wages.**

- **Key Considerations:**
  - Is your Eligibility Management System equipped to handle auto-enrollment and increased employer compliance mandates?
  - Auto-enrollment will have will have a significant impact on employers who either have current eligibility that's set above 30 hours or a large population of waived employees



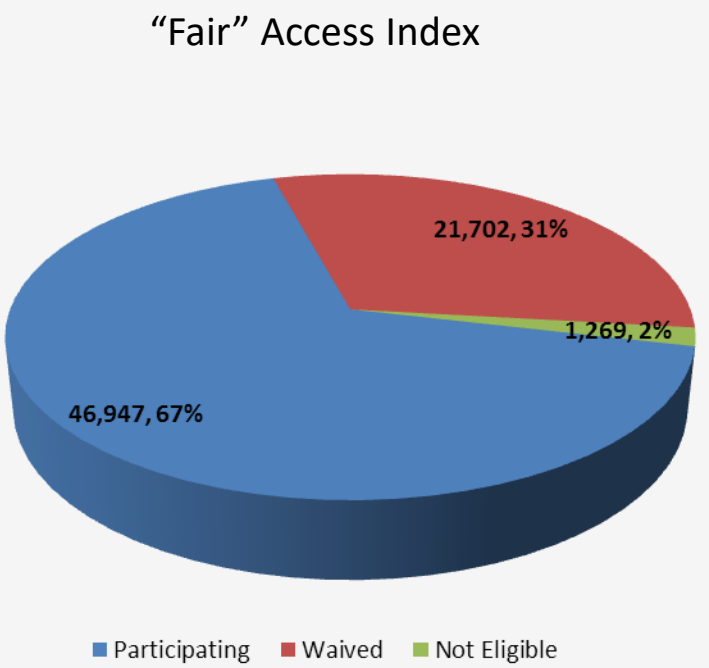
New benchmarks and new options

- Historically, employers had little guidance when establishing the parameters of their benefit plans
- Health Care Reform has established new "benchmarks" for employer-sponsored health insurance.
- Leading employers are considering these new benchmarks and new options as they establish long-range plans for their benefit programs.

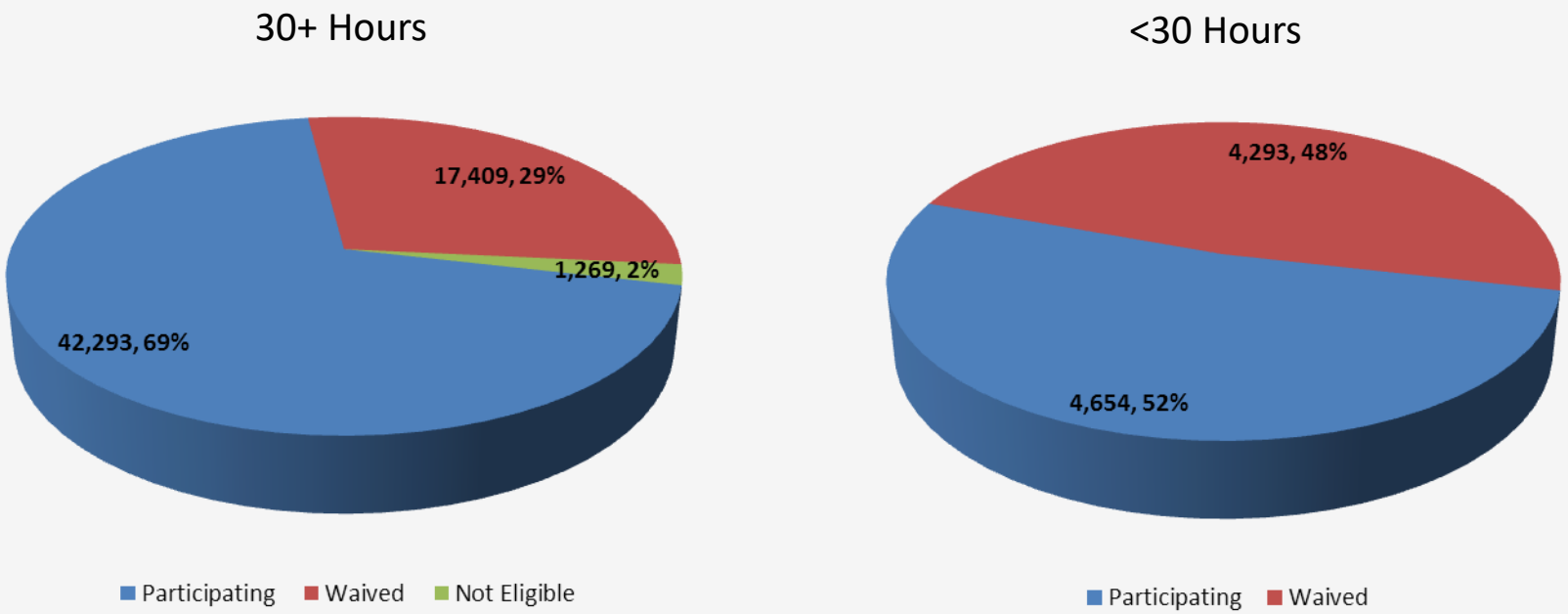


"Fair" Employee Access

- **Key Considerations:**
  - In 2015, Employers with greater than 50 Full Time Equivalents must offer Minimum Essential Coverage (MEC) to all employees who work an average of 30 or more hours per week (HCR Eligible) within a given month or pay a penalty in the amount of the total number of full time equivalents x $2,000 per year *(in 2014, indexes in future years).*
- **Implications:**
  - HCR restricts an employer's ability to offer different benefits to different populations without paying significant penalties
- **Compass Heading:**
  - It is likely that some percentage of currently waived or ineligible full time employees will enroll in employer sponsored coverage due to individual mandates and differences among employers narrowing (starting in 2014) and to auto-enrollment (likely starting in 2015)
  - 90% of the waived population is assumed to continue waiving and 20% of the ineligible population is assumed to waive future coverage options. With the expansion of Medicaid, all Medicaid eligible are assumed to elect Medicaid, unless otherwise indicated.
  - The chart to the right excludes retirees.



“Fair” Employee Access



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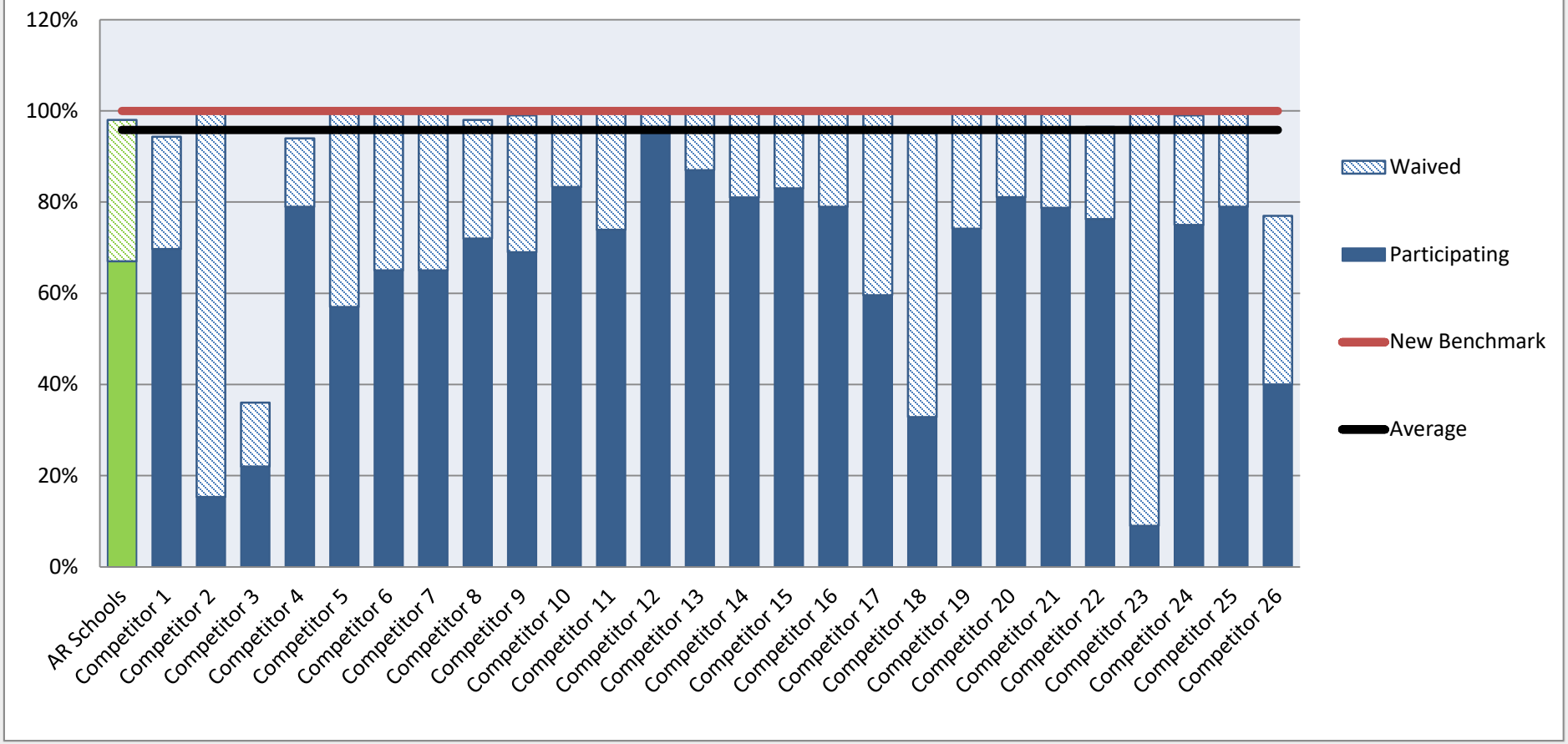
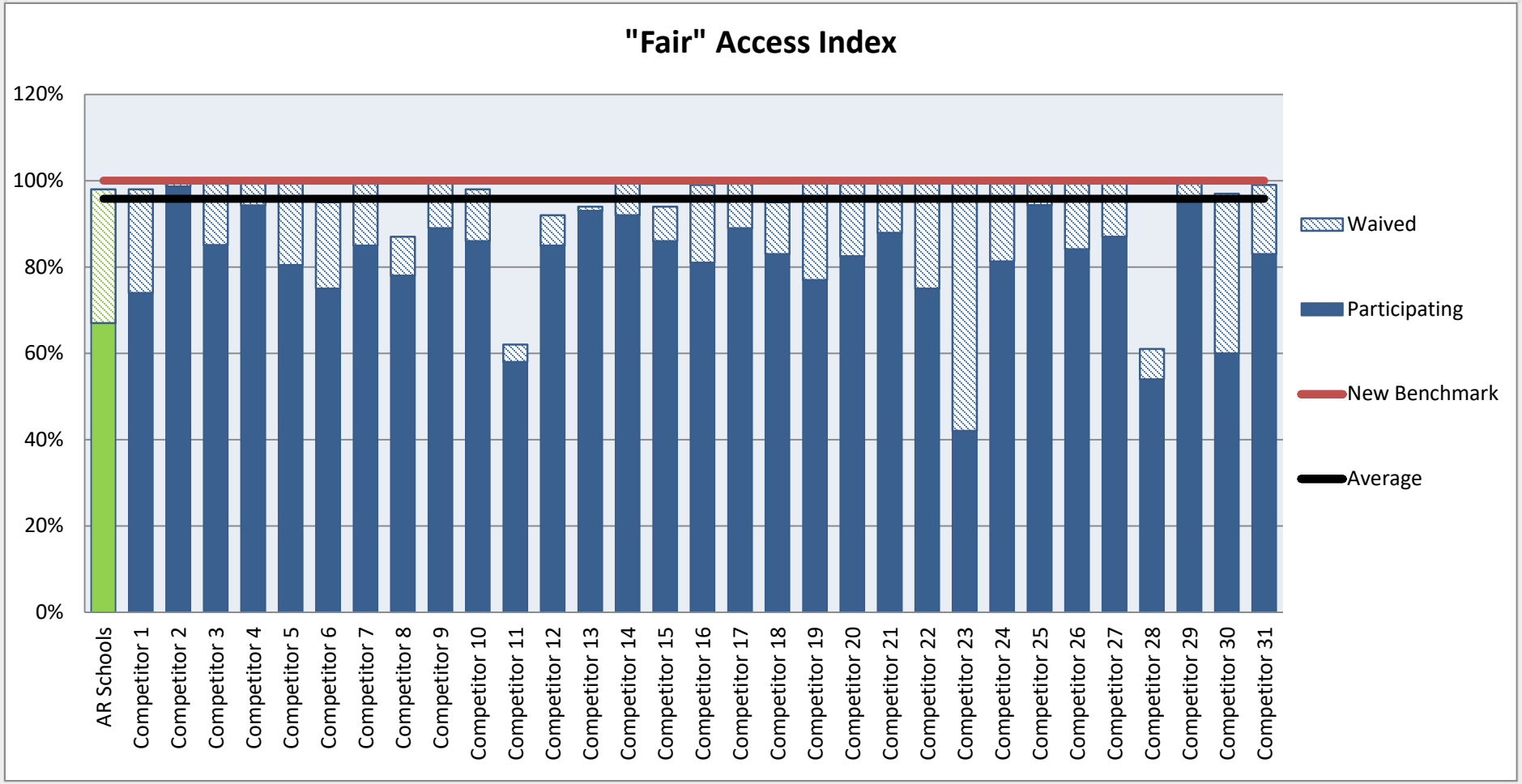
Education Industry “Fair” Access Index



Government Industry "Fair" Access Index



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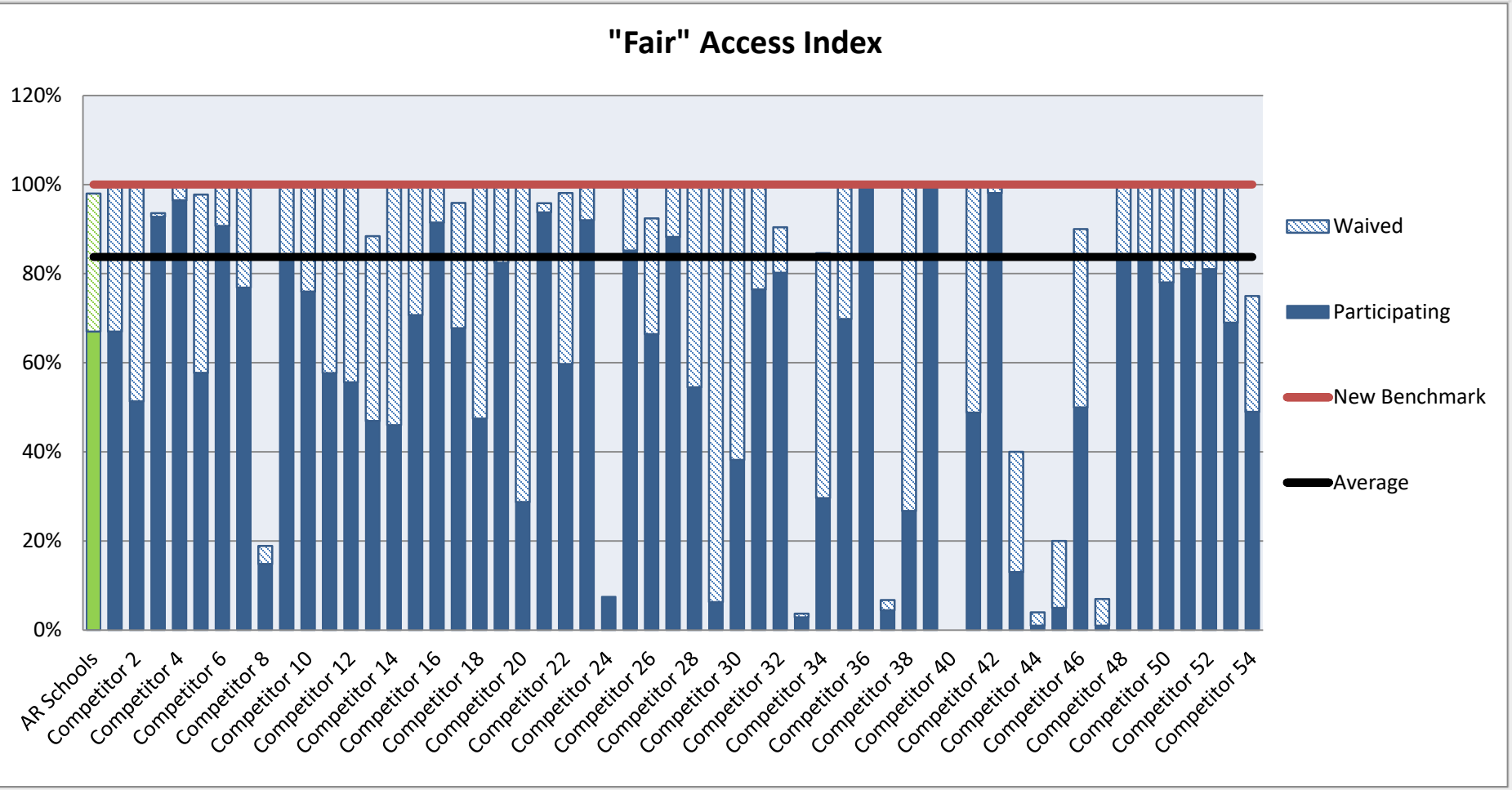
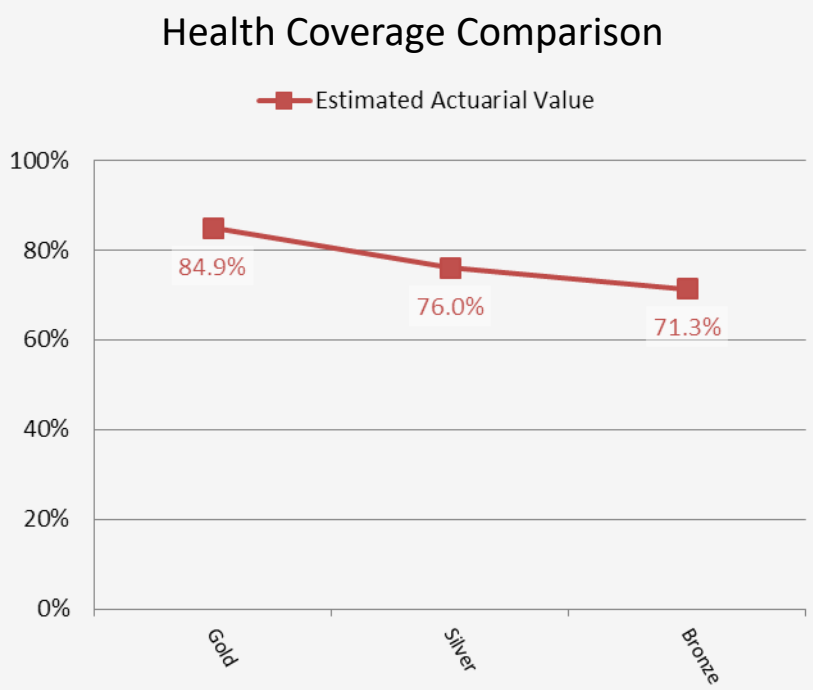
Professional & Business Services Industry “Fair” Access Index

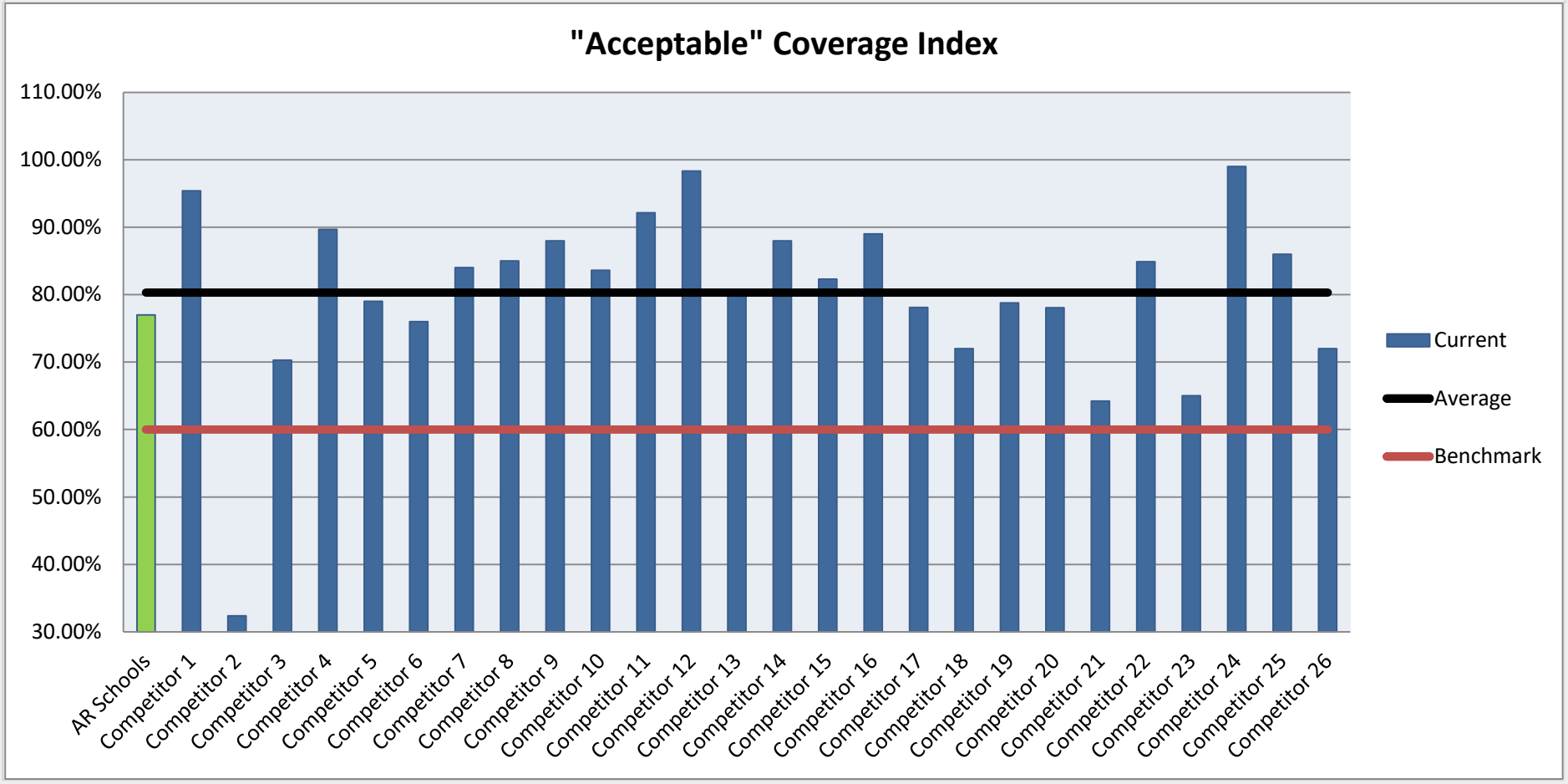


“Acceptable” Health Coverage

- **Key Considerations:**
  - HCR will increase mandated coverages and establish limits on cost sharing for employees. Minimum Essential Coverage (MEC) must be provided to avoid penalties. Standards for Medical Loss Ratio (MLR) will be established for fully-insured plans.
  - In order to be considered “Acceptable Coverage”, an employer sponsored plan must pay (on average) 60% of the costs of benefits provided. This is referred to as a plan’s actuarial value.
  - Employers should consider the value of any plan’s offered to optimize cost and risk. When evaluating “pay or play scenarios” employers should consider the value of the plans offered in the scenario and use this information to adjust the forecasted costs accordingly.
- **Compass Heading**
  - Average aggregate actuarial value for all employees currently enrolled in a plan is 76.88%



Education Industry “Acceptable” Coverage Index



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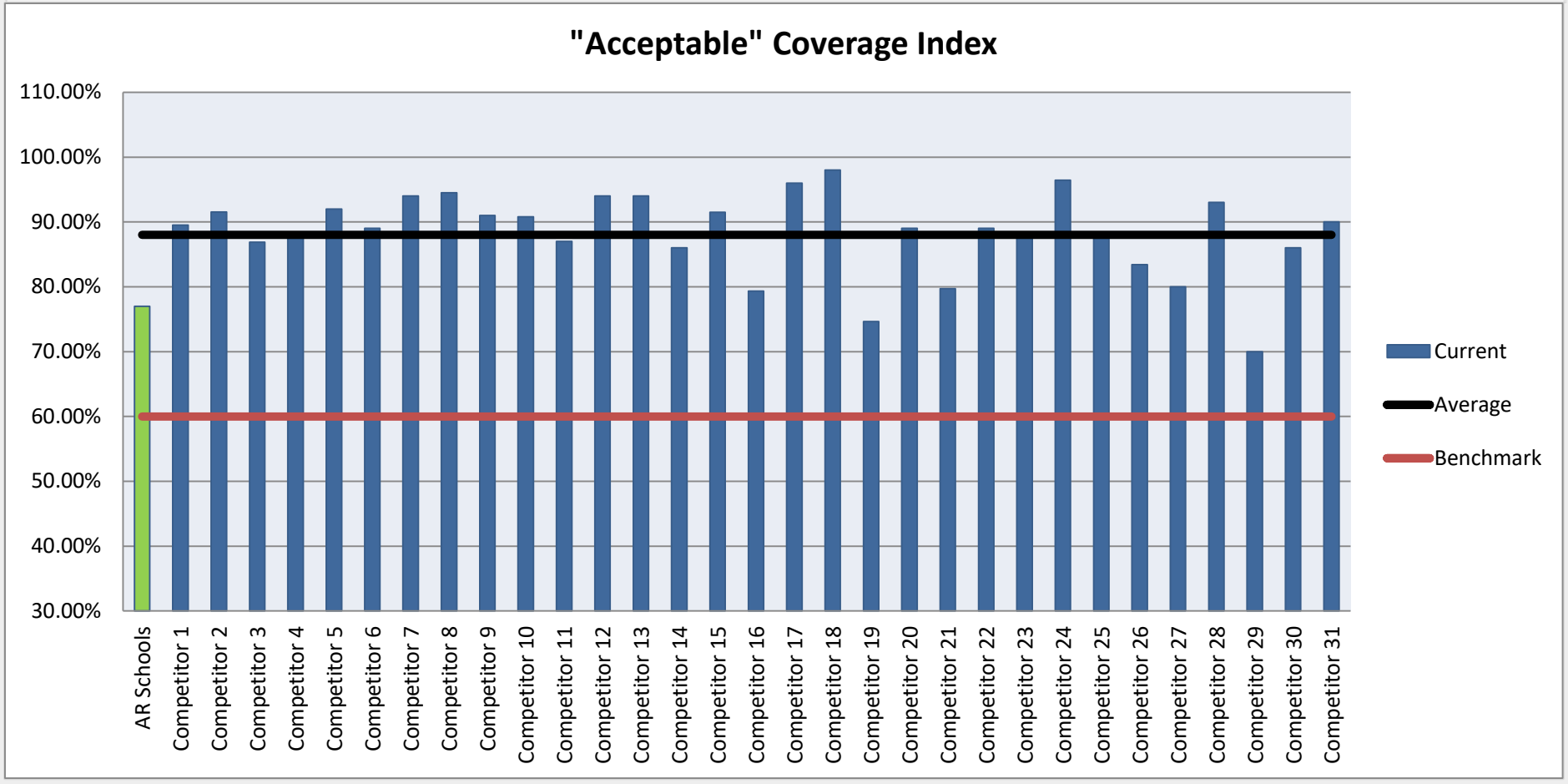
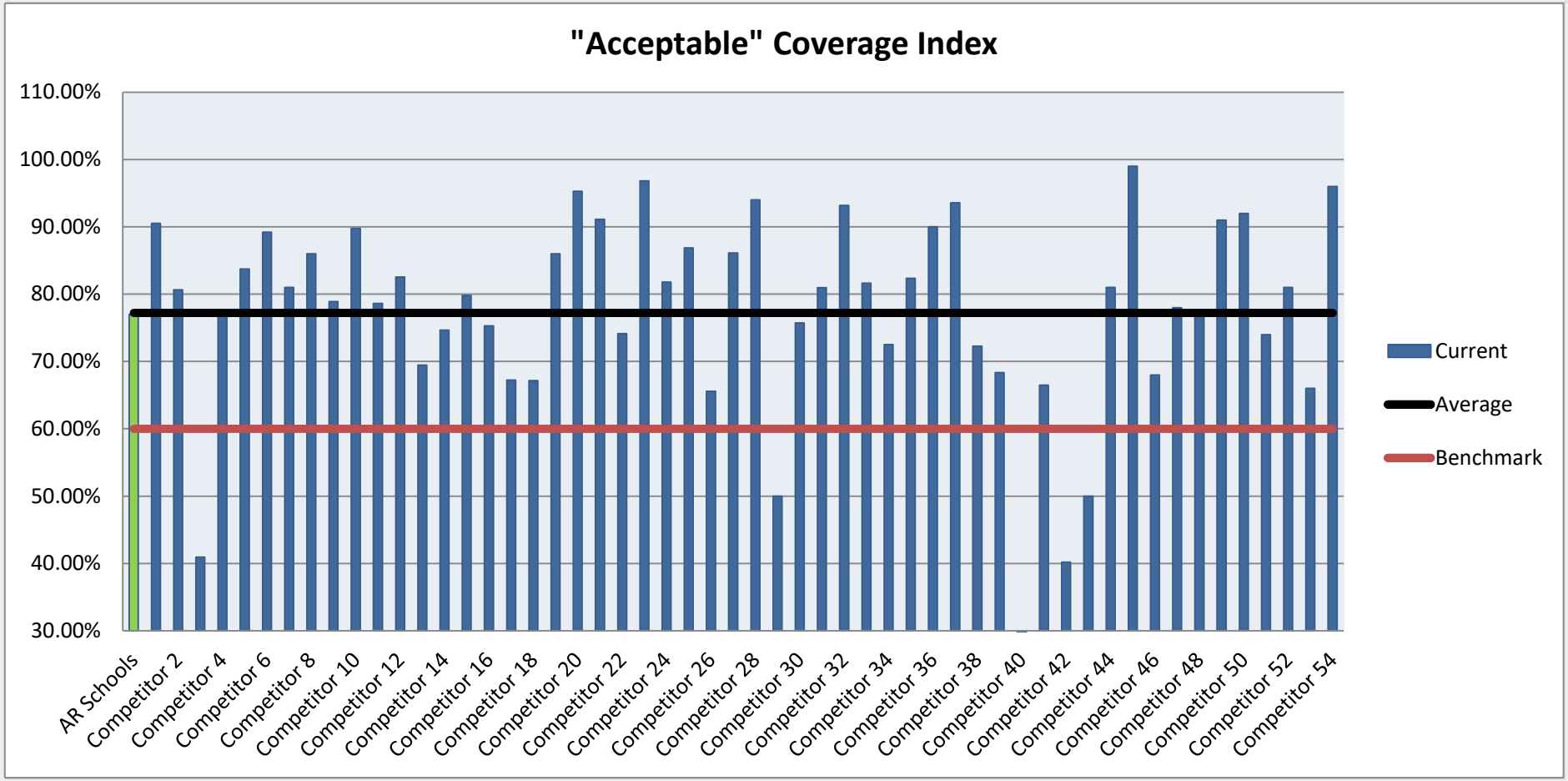


Professional & Business Services Industry “Acceptable” Coverage Index



Actuarial value plan sampling

Sample Plan #1	Platinum Plan *(90% AV)*
Deductible	$250
Coins.	0%
OOP Max	$750
PCP/ Specialist	$30 / $60
Rx	$15/$30/$55/ 50% after ded. $200 max

Sample Plan #2	Gold Plan *(80% AV)*
Deductible	$500
Coins.	25%
OOP Max	$3,000
PCP/ Specialist	$25 / $65
Rx	$15/$40/$60/ 50% after ded. $200 max

Sample Plan #3	Silver Plan *(70% AV)*
Deductible	$2,000
Coins.	30%
OOP Max	$5,000
PCP/ Specialist	$40 / $65
Rx	$25/$35/$60/ 50% after ded. $200 max

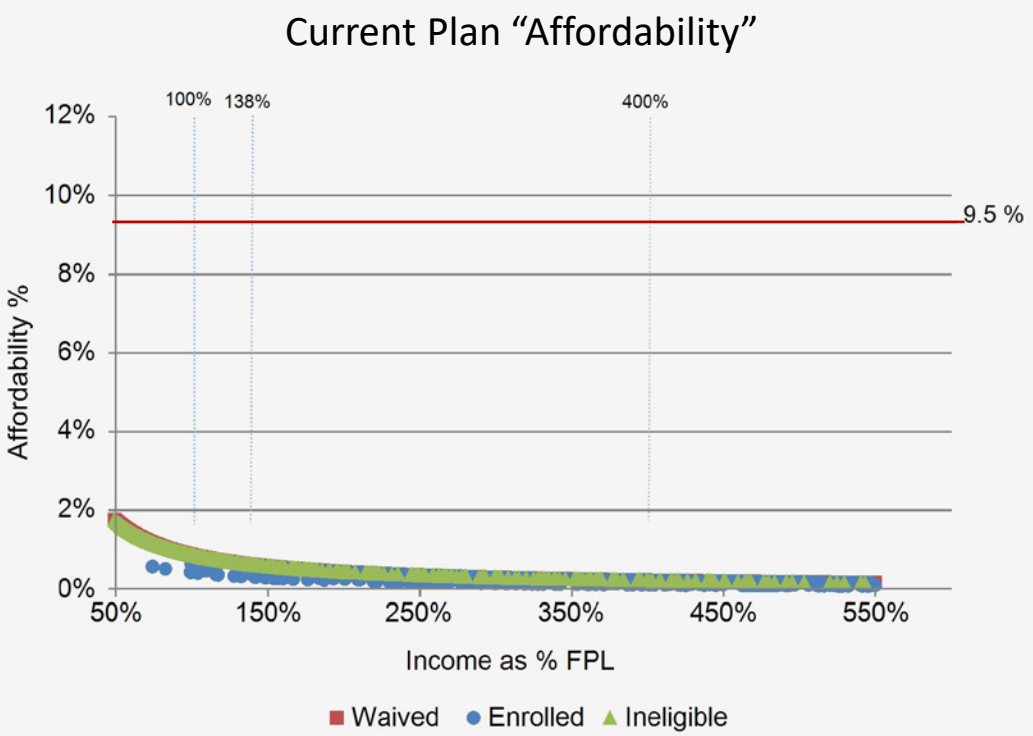
Sample Plan #4	Bronze Plan *(60% AV)*
Deductible	$3,000
Coins.	50%
OOP Max	$6,350
PCP/ Specialist	50% after deductible
Rx	50% after medical ded.

- Actuarial value is a measure that indicates the percent of covered medical expenditures that a plan is likely to pay, based on the cost sharing provisions. For example, an actuarial value of 60% means that a health plan is estimated to pay 60% of covered medical expenses for a standard population.

- **Compass Heading:**
  - The table above shows some sample cost-sharing provisions that would correspond to each of the proposed AV standards, although many other plan designs would also be allowed.

Employee Affordability

- **Key Considerations:**
  - Employees will have access to subsidies in the Public Health Insurance Exchange (PHIE) even if their employer offers MEC if their required contribution for that plan exceeds 9.5% of their modified adjusted gross household income (MAGHI).
- **Implications:**
  - In 2015, if employees enroll in the PHIE (and receive a subsidy), a "Large" employer will pay a penalty . The penalty amount of $3,000 per employee penalty indexes in years after 2014, and is capped at a max of $2,000 (also indexed) times all employees
- **Compass Heading:**
  - This slide shows where employees are anticipated to be in relation to the 9.5% affordability scale.
  - Note that "affordability" is measured based on the current plan with at least a 60% AV with the lowest employee contribution rate for single coverage, and coverage tiers are used as a proxy for family size (since FPL increases per family size).
  - Currently waived and ineligible employees are placed in coverage tiers according to average national household composition data.
  - Current average employee only contribution is 0.6% of household income for a single household at 138% FPL



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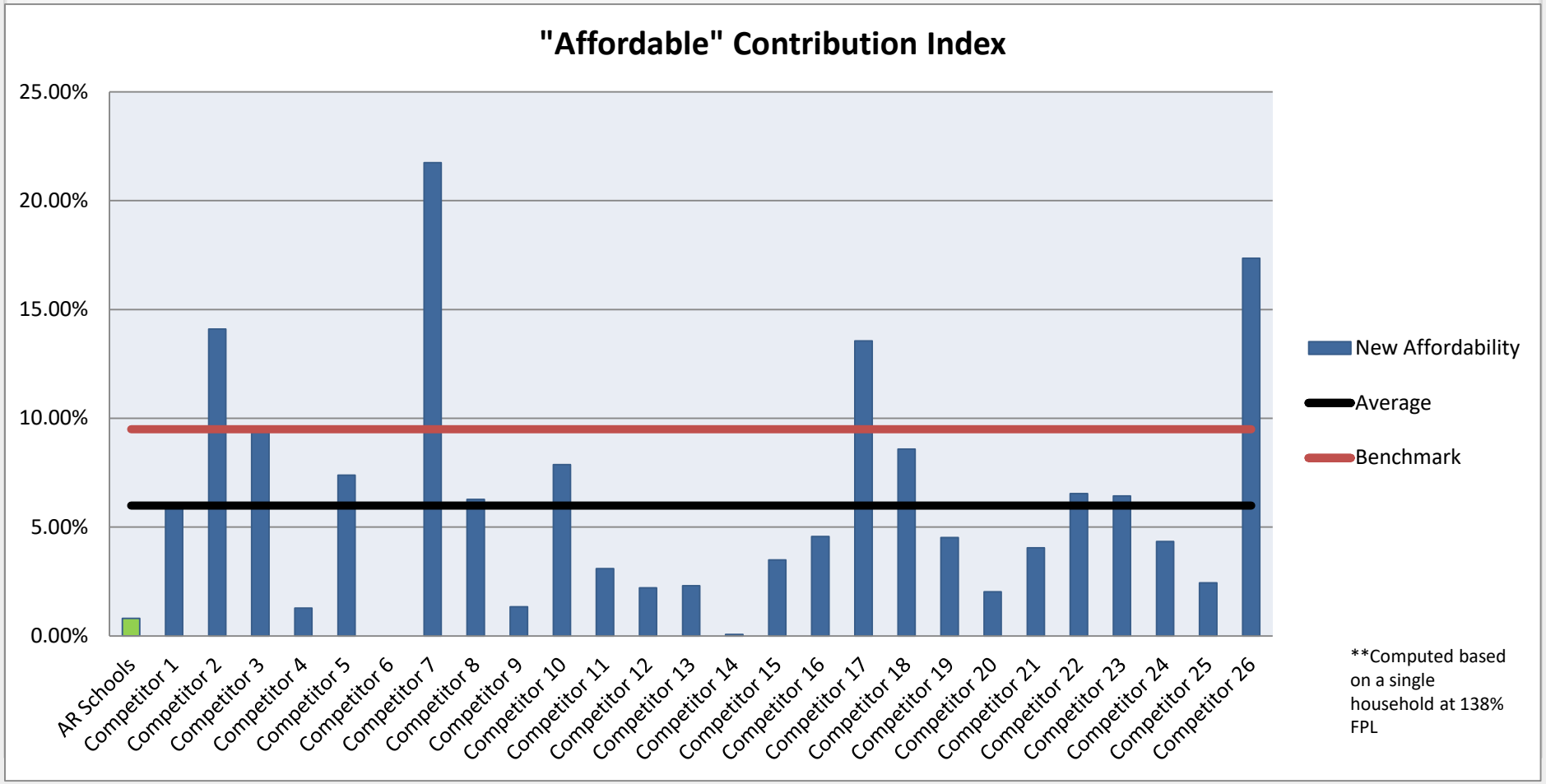
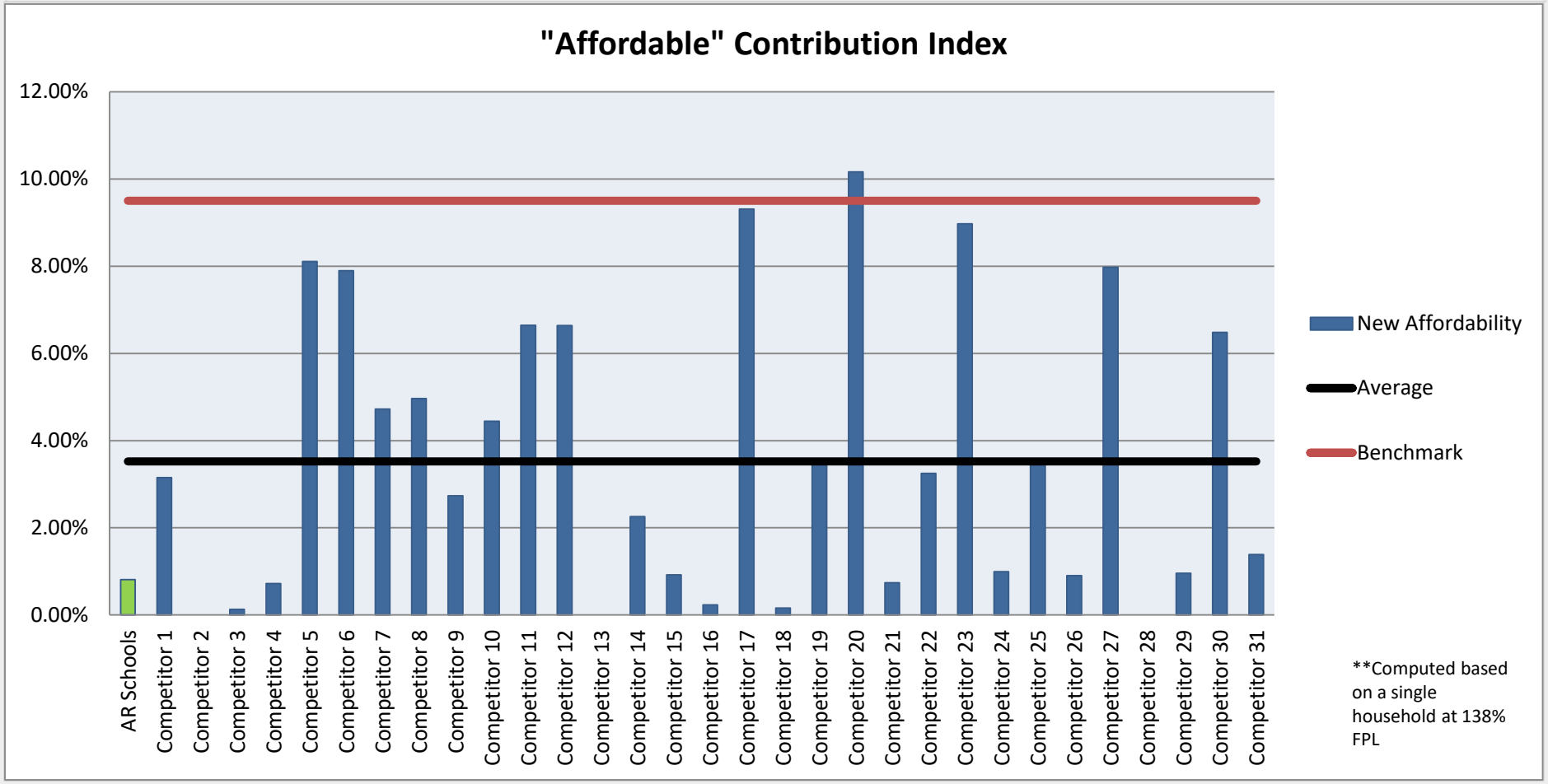
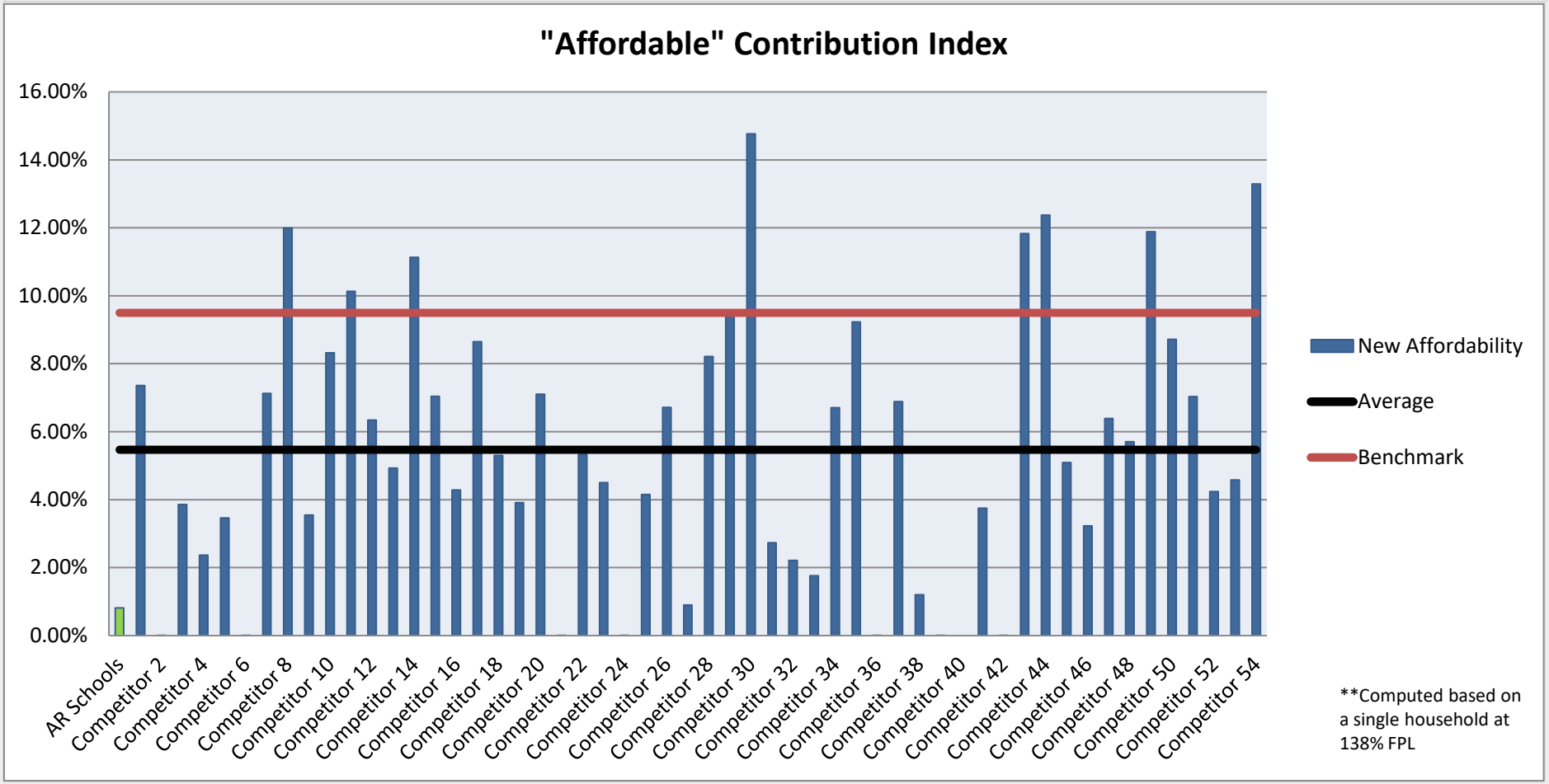
Education Industry “Affordable” Contribution Index



Government Industry "Affordable" Contribution Index



Professional & Business Services Industry “Affordable” Contribution Index



2014 Federal Poverty Guidelines

- **Key Considerations:**
  - The Federal Poverty Guidelines are issued in January each year by the Department of Health and Human Services. They are used for administrative purposes, such as determining eligibility for government assistance programs.
- **Implications:**
  - The Federal Poverty Line (FPL) increases with each additional household member.
- **Compass Heading:**
  - Health Care Reform has established 9.5% of MAGHI as an "affordable" employee contribution.
  - According to the 2012 Employer Health Benefits Survey published by the Kaiser Family Foundation, the average employee contribution ranges from $62 to $93 for single coverage and $310 to $381 for family coverage.
  - On average, current employee contributions toward single coverage are considered "affordable" even for expanded Medicaid eligible individuals.

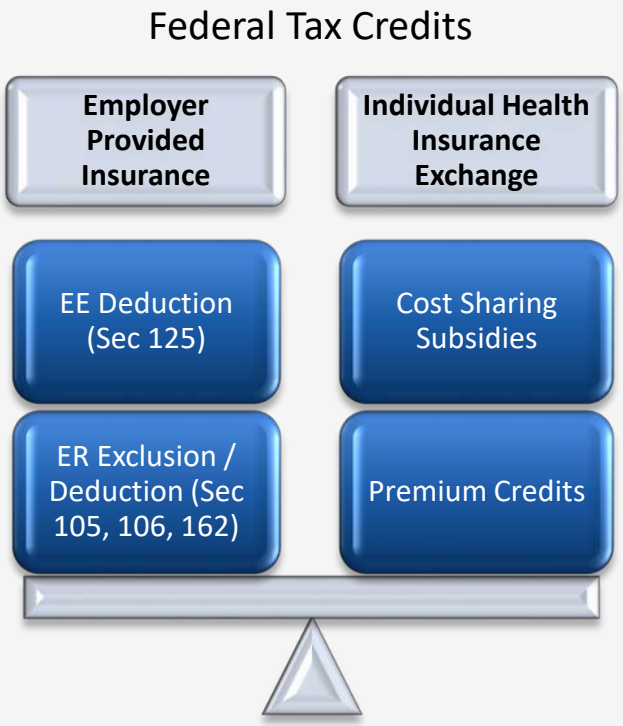
Persons in Family	100%	138%	*9.5% of 138% (monthly)*	400%
1	$11,670	$16,105	*$127*	$46,680
2	$15,730	$21,707	*$172*	$62,960
3	$19,790	$27,310	*$216*	$79,160
4	$23,850	$32,913	*$261*	$95,400
Each additional household member	$4,060	$5,603		$16,240

New Options – Individual Market Reforms

- **Current State of Individual Market**
  - Provided by major carriers with access to same networks as group insurance
  - "Medical Underwriting" allowed in all but five states
    - Can be denied for pre-existing conditions
    - Can be charged a higher rate because of health history
    - Older individuals charged six times young individuals
  - Some policies are rescinded after issue because of errors on application
  - Inefficient distribution through independent brokers or carrier direct web sites
- **Overhaul of Individual Market Complete in 2014**
  - Still private insurance although plan designs and loss ratios regulated
  - All Plans "Guarantee Issue"
  - No "Rate-ups" except for tobacco use, regional cost variations and age
  - Mandatory distribution through Public Health Insurance Exchanges
- **Implication:**
  - Many of the elements that make individual health insurance undesirable will be eliminated by 2014.

"Individual" Tax Credits

- **Key Considerations:**
  - Today, the government provides subsidies for health insurance in the form of pre-tax treatment for employer sponsored benefits.
  - In 2014, some employees who make less than 400% of the Federal Poverty Line will be able to access government subsidies through the Public Health Insurance Exchange.
- **Implications:**
  - Employers need to consider how employees access government subsidies as a part of their overall strategy for offering benefits.
- **Compass Heading:**
  - Generally, most lower paid employees will be better off on tax subsidized individual coverage while most higher paid employees will be better off staying on employer group coverage.



Public Health Insurance Exchanges

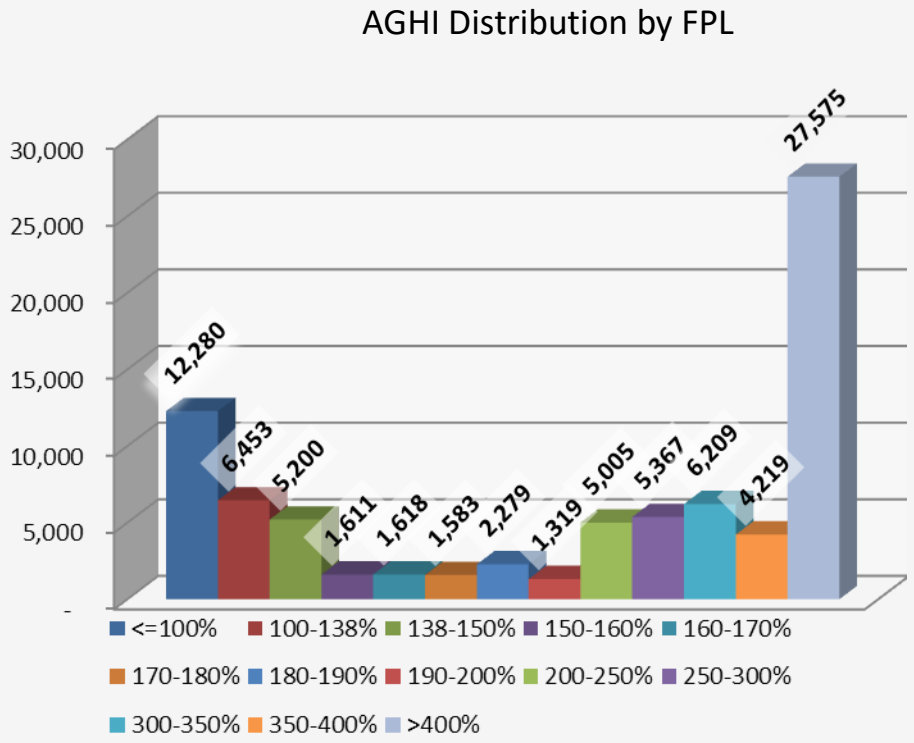
- **Key Considerations:**
  - In the exchange, some individuals will be able to access Premium Credits and Out of Pocket Subsidies that will reduce their overall cost of healthcare
  - Employees >100% and <400% of the FPL will have access to varying levels of subsidies .
  - Employees <138% of the FPL will potentially be eligible for Medicaid, if their state chooses to expand Medicaid eligibility.
  - In states that do not expand eligibility, employees >100% of the FPL will have access to subsidies and employees <100% of the FPL may or may not have access to coverage other than group.
- **Implications:**
  - Employers need to consider how employees access government subsidies as a part of their overall strategy for offering benefits.
- **Compass Heading:**
  - Many employees will be able to access coverage that is better than the current group plan if they are eligible for individual tax credits and cost sharing subsidies.

Tax Credit Guidelines

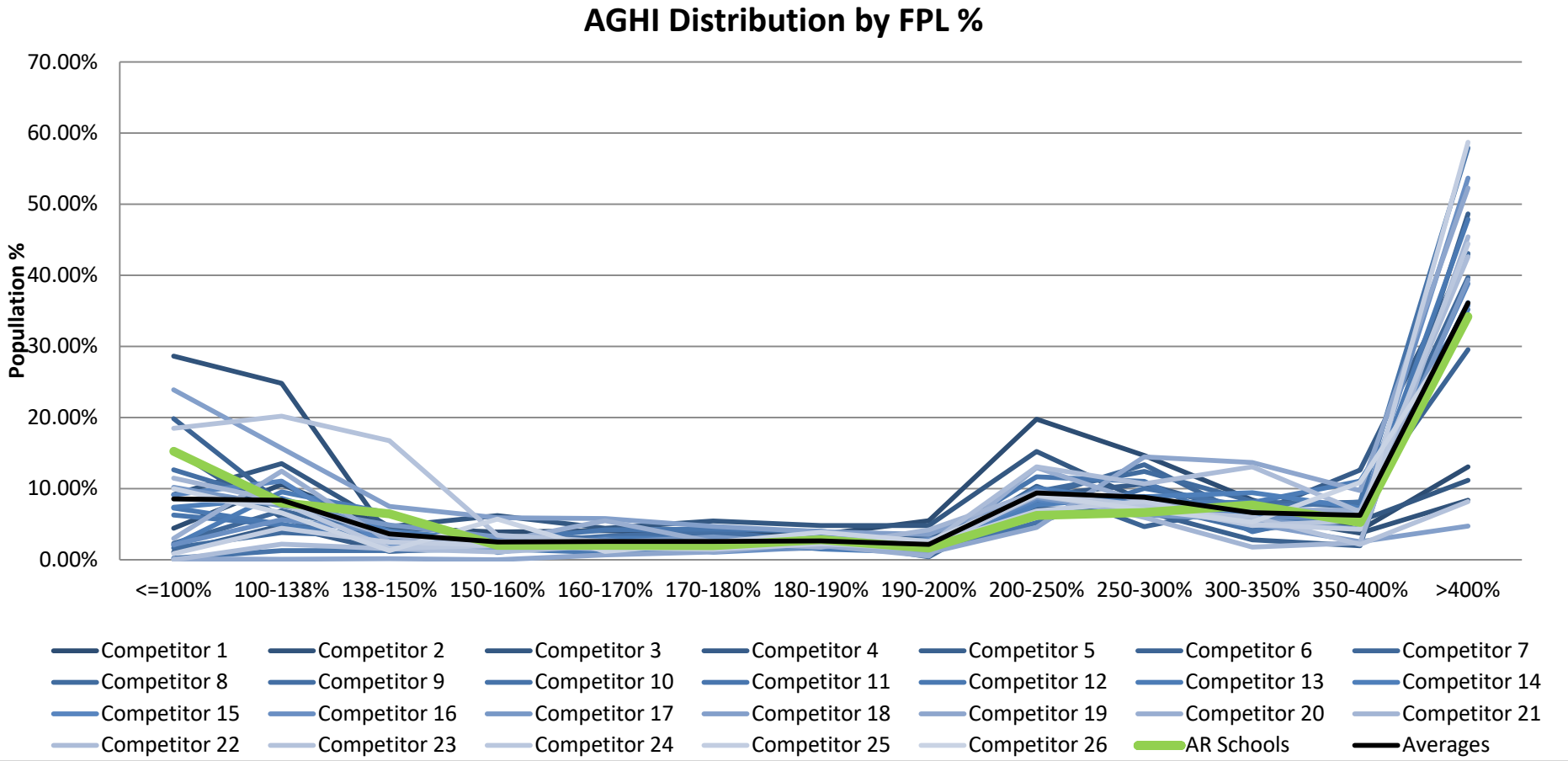
Federal Poverty Level	Max Premium as % of AGHI	Estimated Plan Actuarial Value
<100%	0%	100%
100% - 138%	2%	100%
139% - 150%	3.0% - 4.0%	94%
151% – 200%	4.0% - 6.3%	87%
201% – 250%	6.3% - 8.05%	73%
251% - 300%	8.05% - 9.5%	70%
301% - 400%	9.5%	70%
>400%	unlimited	60%

Employee Modified Adjusted Gross Household Income Distribution

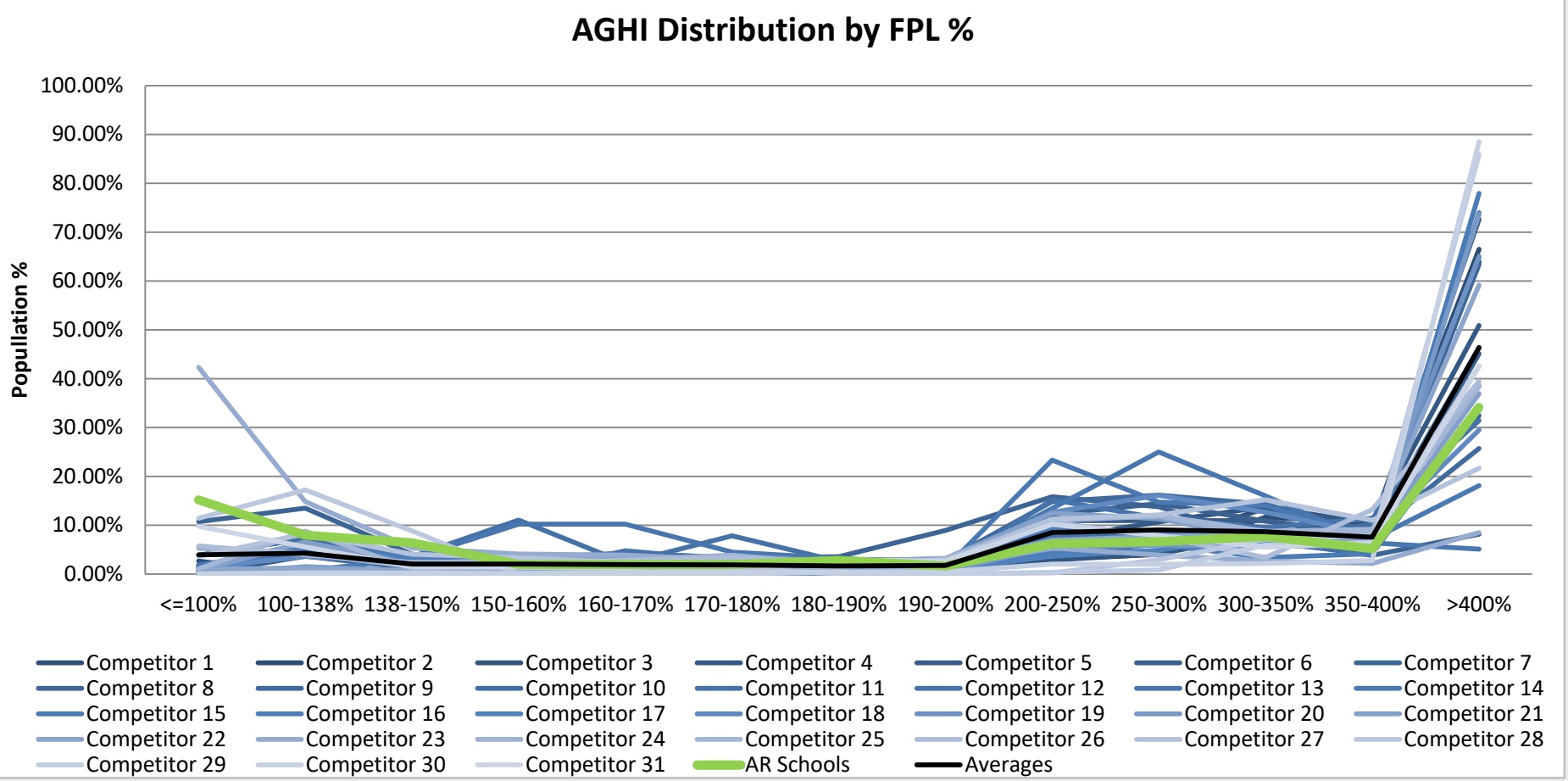
- **Key Considerations:**
  - Employees >100% and <400% of the FPL will have access to varying levels of subsidies .
  - Employees <138% of the FPL will potentially be eligible for Medicaid, if their state chooses to expand Medicaid eligibility.
  - In states that do not expand eligibility, employees >100% of the FPL will have access to subsidies and employees <100% of the FPL may or may not have access to coverage other than group.
- **Implications:**
  - In 2015 if an employee receives a subsidy, a "Large" employer will pay a penalty of $3,000 per employee up to a max of $2,000 times all employees.
  - There is no penalty for the employer if the employee is eligible for Medicaid.
- **Compass Heading:**
  - This slide shows where employees' anticipated AGHI currently fall in relation to the FPL.



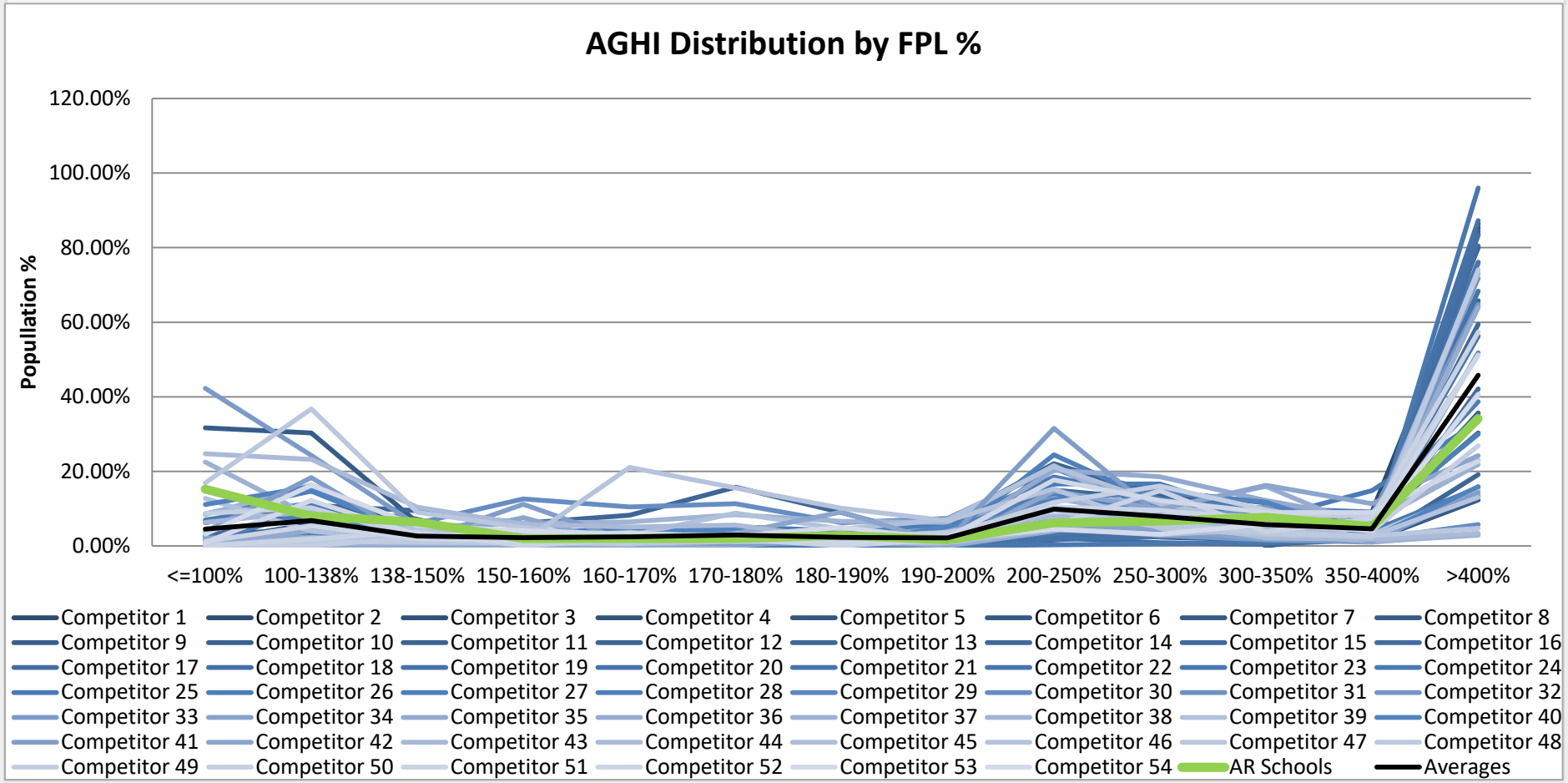
Education Industry AGHL Distribution by FPL %



Government Industry AGHL Distribution by FPL %

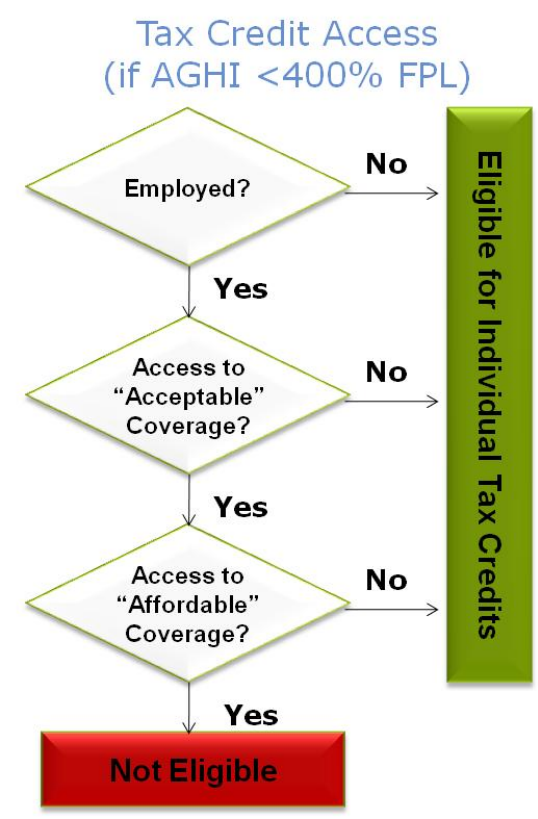


Professional & Business Services Industry AGHL Distribution by FPL %



Individual Tax Credit/Cost Sharing Subsidy Eligibility

- **Key Considerations:**
  - Individual access to the Exchange will be based upon a combination of factors.
  - Employed individuals who have access to affordable coverage that meets minimum requirements will not be able to receive subsidies on the Exchange regardless of their income level.
- **Implications:**
  - Should an employer offer a plan that meets MEC, low employee contributions may preclude employees from accessing subsidies on the Exchange.
- **Compass Heading:**
  - What the employer offers, and how they price it, has everything to do with whether or not employees will be able to access the tax credits and cost sharing subsidies through the exchange.



Expanded Medicaid Eligible Employee Example

- **Key Considerations:**
  - Premium Credits will have the effect of capping an individual's expenditure on health insurance.
  - Subsidies will have the effect of decreasing the out-of-pocket expenditures for employees (and their families).
- **Implications:**
  - Employees (if they are eligible for subsidies) will need to evaluate their coverage options in terms of their projected use of healthcare.
- **Compass Heading:**
  - In the example to the right, the employee receives 23% more of their average health expenditures covered for $1,834 less premium per year.

Employee Profile	
Age	75
Salary	$15,980.68
Current Coverage Level	Employee Only
Projected Coverage Level	Employee Only
Est. AGHI	$15,980.68
% Est. AGHI to FPL	134.25%

Employee View	Gross Premium	Net Premium	Est. AV
Group	$762.83	$610.33	76%
Exchange	$1,200.00	$0	96%
Comparison	$437.17	($610.33)	20%

Subsidy Eligible Employee Example

- **Key Considerations:**
  - Premium Credits will have the effect of capping an individual's expenditure on health insurance.
  - Subsidies will have the effect of decreasing the out-of-pocket expenditures for employees (and their families).
- **Implications:**
  - Employees (if they are eligible for subsidies) will need to evaluate their coverage options in terms of their projected use of healthcare.
- **Compass Heading:**
  - In the example to the right, the employee receives 23% more of their average health expenditures covered for $1,834 less premium per year.

Employee Profile	
Age	49
Salary	$12,566
Current Coverage Level	Family
Projected Coverage Level	Family
Est. AGHI	$33,804
% Est. AGHI to FPL	138.96%

Employee View	Gross Premium	Net Premium	Est. AV
Group	$3,599	$2,875	71%
Exchange	$16,011	$1,041	94%
Comparison	$12,411	($1,834)	23%

Non-Subsidy Eligible Employee Example

- **Key Considerations:**
  - Employees not eligible for Premium Credits or Subsidies will be forced to buy relatively expensive Exchange coverage with after tax dollars.
- **Implications:**
  - Many higher wage earners will be far better off on employer-sponsored coverage.
- **Compass Heading:**
  - In the example to the right, the employee receives 2% less of their average health expenditures covered for $12,257 more per year.

Employee Profile	
Age	58
Salary	$81,816
Current Coverage Level	Employee and Children
Projected Coverage Level	Employee and Children
Est. AGHI	$81,816
% Est. AGHI to FPL	405.31%

Employee View	Gross Premium	Net Premium	Est. AV
Group	$5,197	$3,992	72%
Exchange	$16,249	$16,249	70%
Comparison	$11,052	$12,257	(2%)

Medicare Eligible Retiree Example

- **Key Considerations:**
  - Employees not eligible for Premium Credits or Subsidies will be forced to buy relatively expensive Exchange coverage with after tax dollars.
- **Implications:**
  - Many higher wage earners will be far better off on employer-sponsored coverage.
- **Compass Heading:**
  - In the example to the right, the employee receives 2% less of their average health expenditures covered for $12,257 more per year.

Employee Profile	
Age	73
Salary	$28,000.00
Current Coverage Level	Employee and Spouse
Projected Coverage Level	Employee and Spouse
Est. AGHI	$44,520.00
% Est. AGHI to FPL	277.48%

Employee View	Gross Premium	Net Premium	Est. AV
Current	$9,084.84	$7,200.58	85%
Exchange	$2,400.00	$2,400.00	96%
Comparison	($6,684.84)	($4,800.58)	11%

Medicare Eligible Retiree Example

- **Key Considerations:**
  - Employees not eligible for Premium Credits or Subsidies will be forced to buy relatively expensive Exchange coverage with after tax dollars.
- **Implications:**
  - Many higher wage earners will be far better off on employer-sponsored coverage.
- **Compass Heading:**
  - In the example to the right, the employee receives 2% less of their average health expenditures covered for $12,257 more per year.

Employee Profile	
Age	73
Salary	$28,000.00
Current Coverage Level	Employee and Spouse
Projected Coverage Level	Employee and Spouse
Est. AGHI	$44,520.00
% Est. AGHI to FPL	277.48%

Employee View	Gross Premium	Net Premium	Est. AV
Current	$9,084.84	$7,200.58	85%
Exchange	$2,400.00	$2,400.00	96%
Comparison	($6,684.84)	($4,800.58)	11%

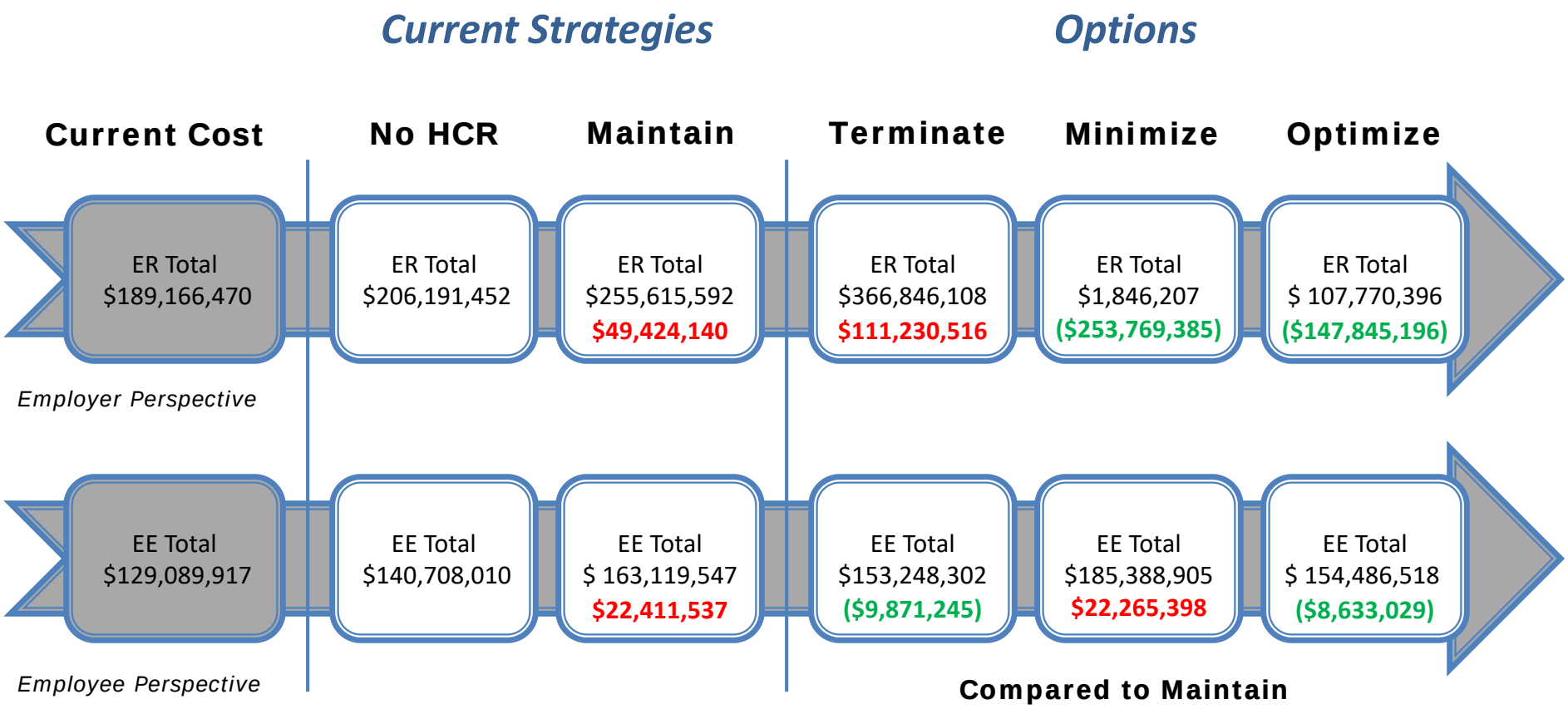
Non-Medicare Eligible Retiree Example

- **Key Considerations:**
  - Employees not eligible for Premium Credits or Subsidies will be forced to buy relatively expensive Exchange coverage with after tax dollars.
- **Implications:**
  - Many higher wage earners will be far better off on employer-sponsored coverage.
- **Compass Heading:**
  - In the example to the right, the employee receives 2% less of their average health expenditures covered for $12,257 more per year.

Employee Profile	
Age	64
Salary	$28,000.00
Current Coverage Level	Employee and Spouse
Projected Coverage Level	Employee and Spouse
Est. AGHI	$44,520.00
% Est. AGHI to FPL	277.48%

Employee View	Gross Premium	Net Premium	Est. AV
Current	$17,789.58	$14,099.89	85%
Exchange	$18,049.09	$3,938.60	70%
Comparison	$259.51	($10,161.29)	(15%)

The Bottom Line - 2015



Strategic Action Plans

- The output of CHROME Compass is a multi-year plan designed to “optimize” your position in terms of the points of the compass.
- Leading employers are making incremental changes to their allocation of compensation dollars to avoid radical changes.

Action plan – "Fair" employee access

Strategies	Arkansas Public Schools	Considerations
Adjust retiree access	Currently offer coverage to retirees on a voluntary basis at active employee rates	The retiree population claim experience is 131% of active employees
Medical plan eligibility limited by average number of hours	Part-time employees in some districts currently have access to the medical plan (with employer contribution)	The part-time population claim experience is 116% of active employees
Conduct full documentation verification for dependents	Dependent counts have been growing steadily from a ratio of 1.45 in 2011 to 1.54 in 2014	5-12% of dependents enrolled in group coverage don't meet eligibility criteria
Include special provisions concerning coverage for spouses with other coverage available	Spousal participation has grown from 9.1% in 2011 to 12.6% in 2014	21% of all employers have this type of provision with projections indicating 46% will by 2016

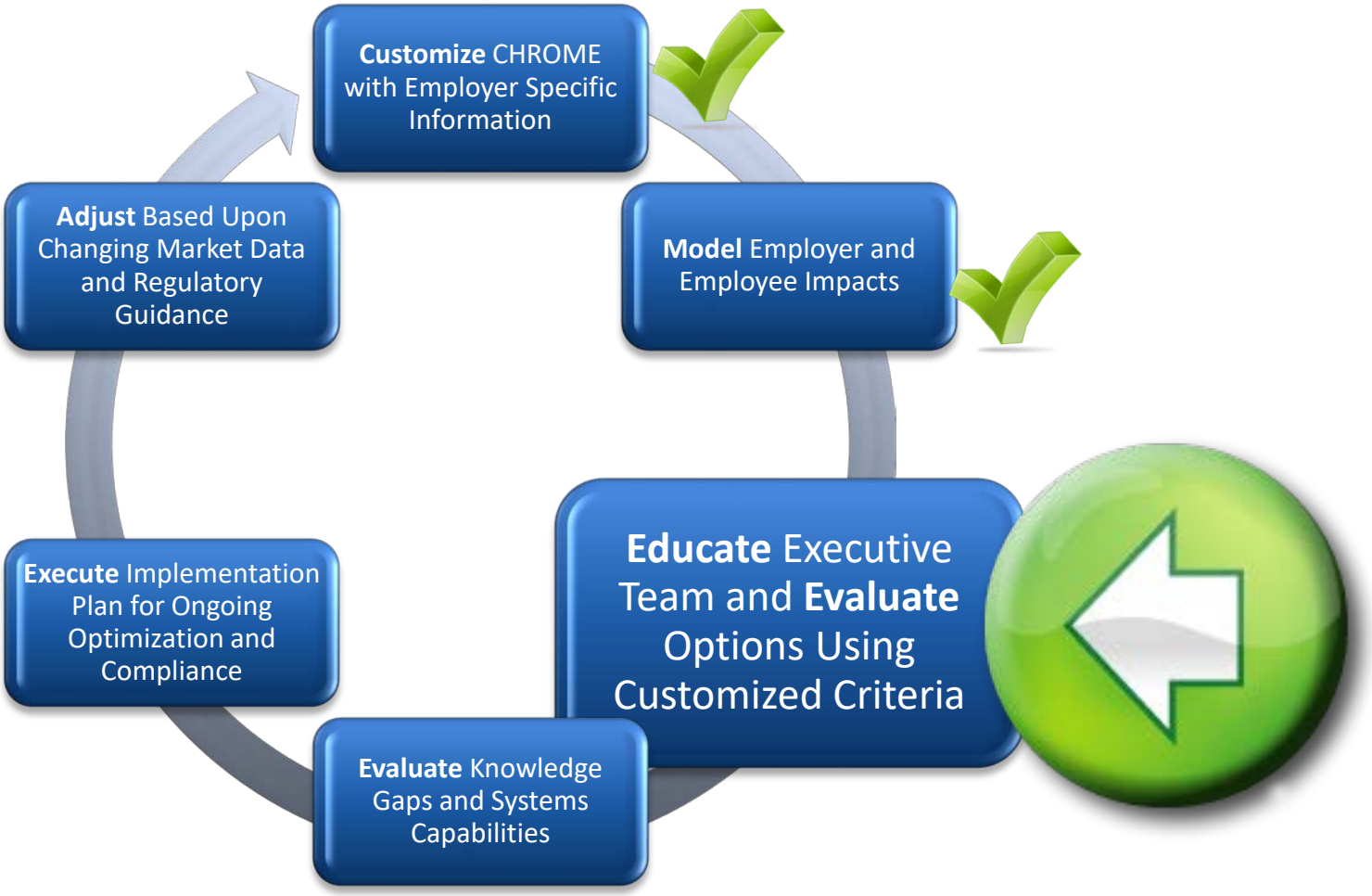
Action plan – "Acceptable" health coverage

Strategies	Arkansas Public Schools	Considerations
Multiple plan choices lead to increased employee satisfaction, even with cost-shifting	Currently offer 3 plan choices, without sufficient spread	More plan choices require more control over employee contributions and increased investment in employee education
Single plan choice arrangements are easier to control, but likely reduce employee satisfaction	57% of current enrolled population have elected to pay more for richer coverage	Single plan choice arrangements ease the risk of varying contribution strategies across districts
Many employers are reallocating health plan funding into HSAs	Current plan funding is insufficient to reallocate dollars to non-claimants	The limits defined by ACA restrict the plan's ability to free up enough dollars

Action plan – "Affordable" contributions

Strategies	Arkansas Public Schools	Considerations
Gradually adjust employee contributions to optimize expanded Medicaid opportunity	Currently offers coverage to approximately 18,000 expanded Medicaid eligible employees at $11 per month	Low employee contributions will inhibit employees from taking advantage of their expanded Medicaid options
Many employers are moving to a defined contribution approach to funding	Currently offers different contributions for different plans and different tiers within the plans	Defined contribution simplifies plan pricing but will result in large compensation reductions for employees with families
For a multi-option strategy to succeed, higher actuarial value plans should be priced higher	Local school districts' ability to contribute in excess of $150 skews plan pricing	Reallocate excess contributions to either compensation or other benefits that do not adversely affect the medical plan

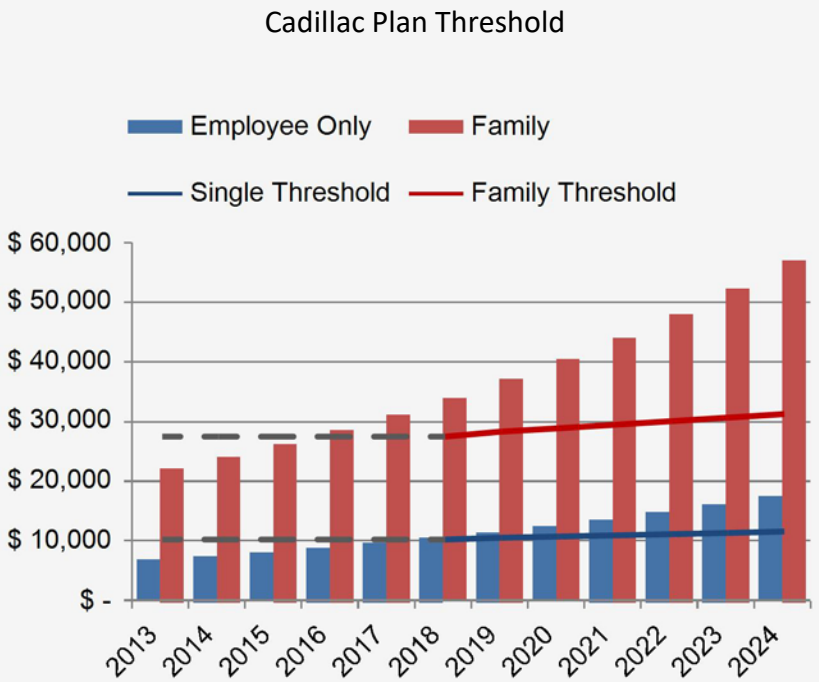
The CHROME Process



Additional Slides

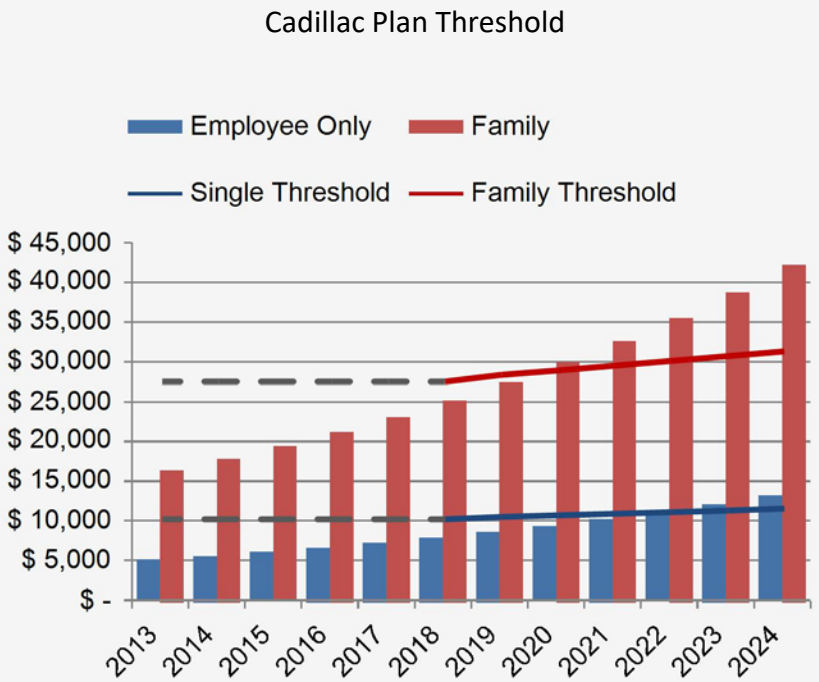
Cadillac Plan Excise Tax - Gold

- **Key Considerations:**
  - Starting in 2018, a 40% excise tax will be levied on the total premium cost of employer-provided health coverage that exceeds certain thresholds (i.e., $10,200 for single and $27,500 for non-single coverage, subject to a special one-time adjustment in 2018, non-medical COLA adjustments thereafter, and special rules for certain employees including those subject to collective bargaining agreements).
  - Total premium cost includes employee and employer contributions for most types of group health plan coverage, with exclusions for stand-alone dental and vision coverage, long-term care, and certain types of excepted benefits (but not employer-paid hospital indemnity and critical illness type coverage).
  - Employers should keep in mind that the calculation includes other group benefits, such as FSA, that will cause them to reach the thresholds faster.
- **Implications:**
  - Since post-2018 thresholds are not tied to medical inflation, almost all employers will eventually become subject to the excise tax which will raise the cost of providing coverage.
  - Employers will need to monitor their plan costs and consider plan containment strategies to mitigate the impact of future excise taxes.
- **Compass Heading:**
  - If current plan design is maintained, it is anticipated that in 2018 single coverage will exceed thresholds by $263 and family coverage will exceed thresholds by $6,502.



Cadillac Plan Excise Tax - Silver

- **Key Considerations:**
  - Starting in 2018, a 40% excise tax will be levied on the total premium cost of employer-provided health coverage that exceeds certain thresholds (i.e., $10,200 for single and $27,500 for non-single coverage, subject to a special one-time adjustment in 2018, non-medical COLA adjustments thereafter, and special rules for certain employees including those subject to collective bargaining agreements).
  - Total premium cost includes employee and employer contributions for most types of group health plan coverage, with exclusions for stand-alone dental and vision coverage, long-term care, and certain types of excepted benefits (but not employer-paid hospital indemnity and critical illness type coverage).
  - Employers should keep in mind that the calculation includes other group benefits, such as FSA, that will cause them to reach the thresholds faster.
- **Implications:**
  - Since post-2018 thresholds are not tied to medical inflation, almost all employers will eventually become subject to the excise tax which will raise the cost of providing coverage.
  - Employers will need to monitor their plan costs and consider plan containment strategies to mitigate the impact of future excise taxes.
- **Compass Heading:**
  - If current plan design is maintained, it is anticipated that in 2018 single coverage will be less than thresholds by $2,322 and family coverage will be less than thresholds by $2,333.



Cadillac Plan Excise Tax - Bronze

- **Key Considerations:**
  - Starting in 2018, a 40% excise tax will be levied on the total premium cost of employer-provided health coverage that exceeds certain thresholds (i.e., $10,200 for single and $27,500 for non-single coverage, subject to a special one-time adjustment in 2018, non-medical COLA adjustments thereafter, and special rules for certain employees including those subject to collective bargaining agreements).
  - Total premium cost includes employee and employer contributions for most types of group health plan coverage, with exclusions for stand-alone dental and vision coverage, long-term care, and certain types of excepted benefits (but not employer-paid hospital indemnity and critical illness type coverage).
  - Employers should keep in mind that the calculation includes other group benefits, such as FSA, that will cause them to reach the thresholds faster.
- **Implications:**
  - Since post-2018 thresholds are not tied to medical inflation, almost all employers will eventually become subject to the excise tax which will raise the cost of providing coverage.
  - Employers will need to monitor their plan costs and consider plan containment strategies to mitigate the impact of future excise taxes.
- **Compass Heading:**
  - If current plan design is maintained, it is anticipated that in 2018 single coverage will be less than thresholds by $5,258 and family coverage will be less than thresholds by $12,701.