Description of Premium Calculation Process
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First we start with base monthly premium that is relatively close each other because they are both large groups and have the similar illness burden. The foundation to this number is the actual paid claims for the previous 12 months for each of the groups. All paid claims are taken to the per-member per-month amount and then trended forward based on plan changes and migration between the plans during the year and at open enrollment.

Then we apply the employer contribution based on available funding. We use the $390 per budgeted state position within the agency and apply funds according to the Board's practice. For the school we apply the minimum employer funding of $131 per month and then allocate the $50,000,000 from Department of Education.

Next we examine trust fund account balance and see if there is any excess reserves that can be used as "Plan Contribution". For the upcoming 2013 plan year, the public school plan is using $9,000,000 of trust fund money and the state plan is using $26,840,000. These are funds in the account that have accumulated from past years when claims were lower than projections and this is a way of "paying back" to the members on the plan to offset or soften a rate increase.

After all that, what is left over is the employee monthly premium. The differential between the state employee monthly premium and the average school employee monthly premium is based almost entirely on employer contribution. At the most basic level, the cost to insure a state agency employee is very close to the cost to insure a school district employee. For the upcoming plan year, the base rate for a state employee (Gold option with Employee Only coverage) is $441.26 and the corresponding school employee rate is $469.68; a difference of less than $30 per month.

But it is the employer funding that makes the final rates so different. In regards to the employer funding, *each state agency is required to pay a fixed amount of $390 for each budgeted position per month without regard to whether or not the position is filled and without regard to which employees actually elect coverage under the plan*. However, on the public school side, ***the district, as the employer, is only required to pay at least $131 per month for only those employees who choose to participate in the insurance program.*** Please note that I used the phrase of "at least" because it would appear that approximately half of the districts throughout the state do contribute additional funding per employee. Additionally, the school employees receive an annual contribution of $50,000,000 which is applied across the membership to help with monthly cost. The $50 million is paid by the Department of Education and does help some but it is that primary difference between $390 per month and $131 per month that shows up on the employee rate sheet. With the additional contribution paid by the state agencies, more funds can be applied to the insurance.