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March 11, 2014

Senator Jim Hendren
Representative Harold Copenhaver
State and Public School Life and Health Insurance
Legislative Task Force
State Capitol
Little Rock, AR 72201

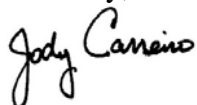
RE: Activity Update March 11, 2014 Task Force Meeting

Gentlemen:

This letter is to report our activity since the last meeting on February 24, 2014. We are continuing to analyze various aspects of PSE plans so that we will be prepared to comment on the actuarial cost effects of various possible changes. We are and will continue to develop the actuarial cost of many different ideas. There will be some ideas that would not be popular and the Task Force may not want to even discuss, but we are working to be prepared to discuss all of them. Some examples of items we are reviewing would be: varying levels of deductibles, coverage of members with less than 30 hours per week, coverage of spouses with other coverage, varying levels of copay, analysis of reinsurance vs. self-insurance, analysis of migration patterns, high deductible plans and associated funding, redoing the number of options, and others that we hear suggested in Task Force meetings.

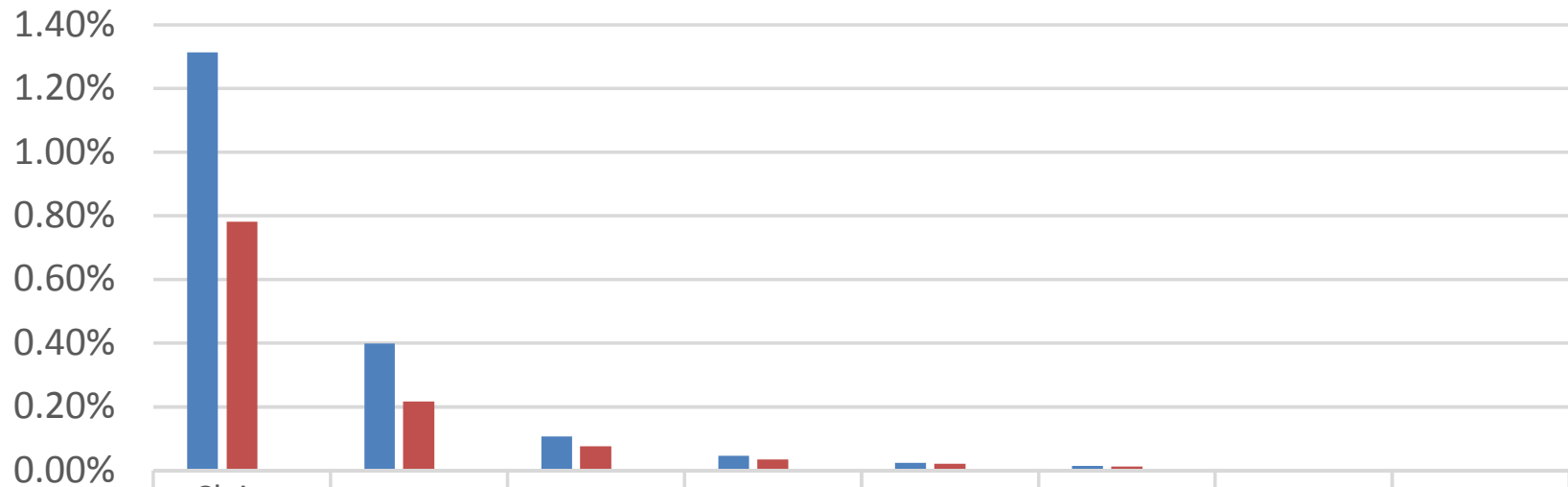
We wanted to share with the Task Force some additional information we have developed since our last meeting. We have been analyzing the large claims in PSE to see where our plans may behave differently than national averages. The national averages were developed from the Health and Human Service tables that are used to create the Actuarial Value Calculators used under the Affordable Care Act. We have included two graphs that follow this letter. The first shows a comparison of claim counts compared to the national averages. The second shows the claim amounts submitted accumulated at the various levels of large claims. As you can see, claims over \$50,000 represented only about $\frac{3}{4}$ of 1% of the claim count, but about 17.5% of the claims paid. These amounts are a little less than national averages, but generally in line. You will note that there were 2 claims over \$1 million in 2013 which is above the expected of about 1.4, but that is within a normal range of expectation.

Sincerely,



Jody Carreiro, A.S.A, M.A.A.A.
Actuary

2013 Estimated Proportion of Large Claim Counts

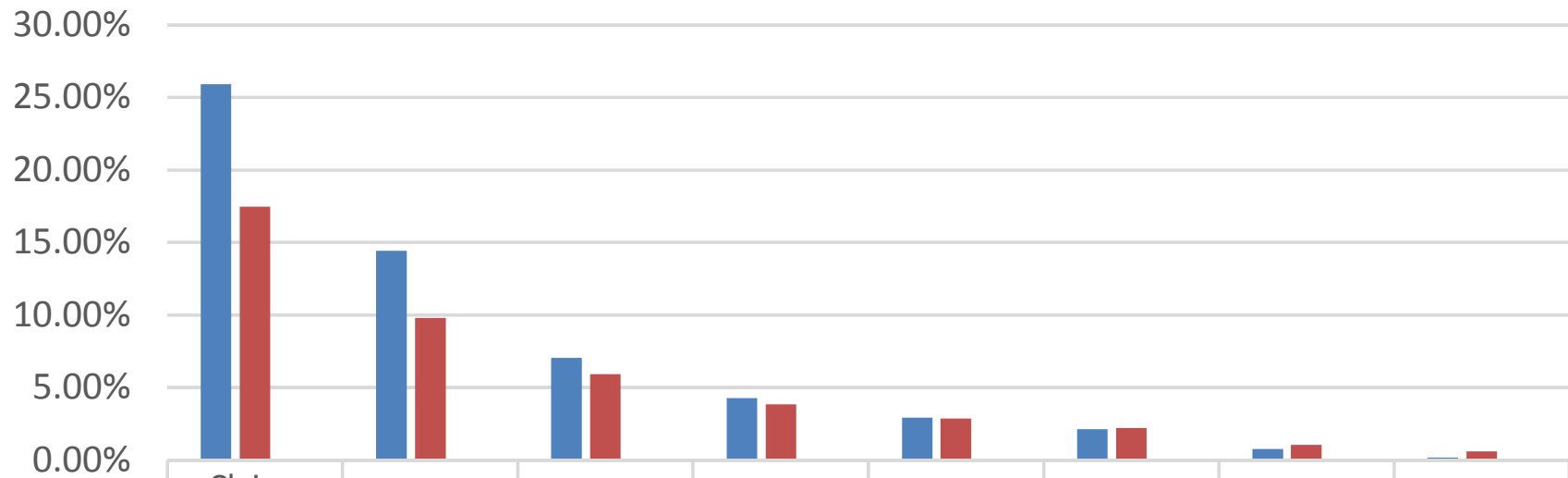


	Claims Over 50,000	Over 100,000	200,000	300,000	400,000	500,000	1 mil.	2 mil.
■ Federal	1.31%	0.40%	0.11%	0.05%	0.02%	0.01%	0.00%	0.00%
■ PSE	0.78%	0.22%	0.08%	0.03%	0.02%	0.01%	0.00%	0.00%
PSE Counts	551	153	53	24	14	9	2	1

*Comparison to federal HHS continuance tables used in creating HHS Actuarial Value Calculator.

*PSE Claims are estimates of gross claims arrived at using paid claims data provided by EBD.

2013 Estimated Proportion of Large Claims Cost



	Claims Over 50,000	Over 100,000	200,000	300,000	400,000	500,000	1 mil.	2 mil.
■ Fed	25.93%	14.42%	7.06%	4.30%	2.94%	2.14%	0.77%	0.19%
■ PSE	17.48%	9.83%	5.92%	3.86%	2.88%	2.23%	1.04%	0.63%
PSE Cost	60.8	34.2	20.6	13.4	10.0	7.8	3.6	2.2

(PSE Cost is listed in millions of dollars of claims.)

*Comparison to federal HHS continuance tables used in creating HHS Actuarial Value Calculator.

*PSE Claims are estimates of gross claims arrived at using paid claims data provided by EBD.