

Osborn, Carreiro & Associates, Inc.

ACTUARIES • CONSULTANTS • ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 72201
(501)376-8043 fax (501)376-7847

April 16, 2014

State and Public School Life and Health
Insurance Program Legislative Task Force
c/o Bureau of Legislative Research
State Capitol Building
Little Rock, AR 72201

RE: Actuarial Review of Public School Employees Portion of the State and Public
School Life and Health Insurance Program

Ladies and Gentlemen:

This letter is an addition to our report of April 14, 2014 of our actuarial review of the Public School Employees (PSE) Insurance Program. This addition is to answer certain questions arising in the presentation. This should be viewed together with our April 14, 2014 report.

There are two exhibits that follow this cover letter. The first is a one-page comparison of key provisions of the three tiers of the PSE program between 2013 and 2014. The Actuarial Value as discussed in the full report is disclosed for the plan provisions compared. This is not newly developed information, but a one-page compilation of this key information.

One strategy described by Collier Insurance was a four tier structure. In our full report, we developed the rationale for the four tiers of premiums for the four tiers as well as the actual premiums. These are on page 6 of that report. Those premiums are the total premium amount before reductions for allocation of state money and the locally directed money. But, that strategy did not include actual plan provisions for the four tiers, just the relative Actuarial Value. In order to provide context, the second exhibit shows three sets of key plan provisions for each of the four tiers. These illustrate possible provisions of plans which correspond to each level of Actuarial Value. These are illustrations for these tiers and not suggested provisions. As the process continues, we will work with the Task Force to develop the desired provisions of each tier.

We are available to discuss this report with you at your convenience. If you have any questions or comments about this report, please let us know.

Sincerely,



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

Comparison of 2013 and 2014 PSE Plan Provisions

Gold	2013 PSE Provisions	2014 PSE Provisions
Estimated Actuarial Value	90.4%	84.9%
Deductible (Individual)	\$0	\$0
Deductible (Family)	\$0	\$0
Coinsurance	20%	20%
OOP Maximum (Individual)	\$1,500	\$2,500
OOP Maximum (Family)	\$3,000	\$5,000
Primary Care visit	\$25	\$35
Specialist visit	\$35	\$70
Pharmacy (Tier 1/2/3)	\$10/\$30/\$60	\$15/\$40/\$80
Out of Network (Individual)	40% / \$1,000 / \$6,000	40% / \$1,000 / \$6,000

Silver	2013 PSE Provisions	2014 PSE Provisions
Estimated Actuarial Value	82.1%	76.0%
Deductible (Individual)	\$750	\$1,000
Deductible (Family)	\$1,500	\$2,000
Coinsurance	20%	20%
OOP Maximum (Individual)	\$2,750	\$4,500
OOP Maximum (Family)	\$5,500	\$8,000
Primary Care visit	\$25	\$35
Specialist visit	\$50	\$70
Pharmacy (Tier 1/2/3)	\$10/\$35/\$70	\$15/\$40/\$80
Out of Network (Individual)	40% / \$1,500 / \$6,500	40% / \$1,500 / \$6,500

Bronze	2013 PSE Provisions	2014 PSE Provisions
Estimated Actuarial Value	76.4%	71.3%
Deductible (Individual)	\$1,500	\$2,000
Deductible (Family)	\$3,000	\$3,000
Coinsurance	20%	20%
OOP Maximum (Individual)	\$4,000	\$6,350
OOP Maximum (Family)	\$8,000	\$9,525
Primary Care visit	20% (coinsurance)	20% (coinsurance)
Specialist visit	20% (coinsurance)	20% (coinsurance)
Pharmacy (Tier 1/2/3)	20% (coinsurance)	20% (coinsurance)
Out of Network (Individual)	40% / \$3,000 / \$8,000	40% / \$3,000 / \$8,000

**Illustration of Possible Plan Provisions
Based on PPACA Tiers**

Actuarial Value Implies Relative Value, not Particular Provisions

Possible Plan Provisions of a near 90% (PPACA Platinum) Plan			
	Sample Plan #1 2013 PSE Gold	Sample Plan #2	Sample Plan #3
Actuarial Value	90.4%	90.9%	89.7%
Deductible	\$0	\$0	\$250
Coinsurance	20%	20%	15%
OOP Maximum	\$1,500	\$750	\$1,000
Primary Care visit	\$25	\$25	\$25
Specialist visit	\$35	\$35	\$35
Pharmacy	\$10/\$30/\$60	\$30/\$60/\$90	\$10/\$30/\$60

Possible Plan Provisions of a near 80% (PPACA Gold) Plan			
	Sample Plan #1 2013 PSE Silver	Sample Plan #2	Sample Plan #3
Actuarial Value	82.0%	79.9%	80.7%
Deductible	\$750	\$1,250	0
Coinsurance	20%	20%	30%
OOP Maximum	\$2,750	\$2,000	\$6,350
Primary Care visit	\$25	\$25	\$25
Specialist visit	\$50	\$50	\$50
Pharmacy	\$10/\$35/\$70	\$10/\$35/\$70	\$10/\$35/\$70

Possible Plan Provisions of a near 70% (PPACA Silver) Plan			
	Sample Plan #1 2013 PSE Bronze With higher deduct.	Sample Plan #2	Sample Plan #3
Actuarial Value	71.9%	70.7%	70.0%
Deductible	\$2,500	\$2,500	\$1,500
Coinsurance	20%	20%	30%
OOP Maximum	\$4,000	\$4,000	\$6,000
Primary Care visit	20% after ded.	\$25	\$25
Specialist visit	20% after ded.	\$35	\$35
Pharmacy	20% after ded.	\$10/\$30/\$60	\$10/\$30/\$60

Possible Plan Provisions of a near 60% (PPACA Bronze) Plan			
	Sample Plan #1	Sample Plan #2	Sample Plan #3
Actuarial Value	63%	60%	61%
Deductible	\$5,750	\$5,750	\$3,750
Coinsurance	40%	10%	50%
OOP Maximum	\$6,350	\$6,350	\$6,350
Primary Care visit	\$40	10% after ded.	50% after ded.
Specialist visit	\$80	10% after ded.	50% after ded.
Pharmacy	\$30/\$65/80%	10% after ded.	50% after ded.