

**State and Public School Life
And Health Insurance Board
Minutes
April 13, 2010**

The 106th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on Tuesday, April 13, 2010 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

MEMBERS PRESENT

Janis Harrison
Renee Mallory
John Kirtley
Shelby McCook
Bob Alexander
William Goff
Robert Watson
Dr. Joseph Thompson

MEMBERS ABSENT

Lloyd Black
Dr. Andrew Kumpuris
Vance Strange

Jason Lee, Executive Director, Employee Benefits Division.

OTHERS PRESENT:

Karen Mallett, CHEIRON; Leigh Ann Chrouch, Michelle Hazelett, Doug Shackelford, Stella Greene, Donna Cook, Paige Harrington, Lori Eden, Latryce Taylor, Tracy Collins, Sherry Bryant, Florence Marvin, Cathy Harris, EBD; Rhonda Hill, ACHI/EBD; Kathy Ryan, Ron Deberry, David Bridges, Barbara Melugin, ABCBS/Health Advantage; Wayne Whitley, AR Highway & Transportation Dept, Susan Walker, Data Path; Barry Fielder, Shonda Rocke, Informed Rx; Marc Watts, AR State Employee Association; Joseph Chang, Securian; Sharon Marcum, LifeSynch; Steve Singleton, AR Retired Teachers Association; Bryan Meldrum, Dwane Tankersley; NovaSys; Peggy Nabors, AR Education Association; Mona Neal, Public Service Commission; Vicki Fleming, AR Dept of Health

CALL TO ORDER

Meeting was called to order by Janis Harrison, Chairman

APPROVAL OF MINUTES

The request was made by Harrison to approve the April 13, 2010 minutes. Watson made the motion to approve minutes. Mallory seconded. All were in favor. Minutes approved.

COMMITTEE REPORTS

The Drug Utilization and Evaluation Committee (DUEC) *by Jill Johnson, EBRx UAMS College of Pharmacy*

Johnson presented the report for Dr. Golden, Chairman. The DUEC met on April 5, 2010. The following recommendations for the Board consideration resulted from that meeting.

1. Antihyperlipidemic Drug Coverage

- Vytorin and Zetia Utilization

Vytorin contains a combination of ezetimibe and simvastatin. Both ezetimibe and simvastatin are cholesterol-lowering medicines. Vytorin reduces the amount of cholesterol (a type of fat) absorbed by the body and block the production of cholesterol in the body.

Zetia (ezetimibe) reduces the amount of cholesterol or other sterols that your body absorbs from your diet. Zetia is used to treat high cholesterol, along with a low-fat, low-cholesterol diet. It is sometimes given with other cholesterol-lowering medications. It is also used to treat high blood sitosterol and campesterol along with diet therapy.

The committee reviewed Drug Safety Communication recently presented by the FDA.

Recommendation: Place Zetia at the tier 3 status w/PA requirement 1) intolerance to a statin, and 2) not at LDL goal. Zetia only available if failed high dose statin and niacin or intolerance to both drug or medical problems (severe drug interactions); effective at the beginning of next plan year for existing users and 07/01/2010 or new utilizers.

Vytorin – not covered. Exclude new users effective 7/1/2010. Current users will be grandfathered in at Tier 3 copay for a period of time to be determined by the Board.

- **Antihypertensive Drugs (ARB's and related products)**
Currently, all ARB's and ARB containing products (ARB/Thiazide combos, ARB/CCB combos, and Valtorna (an ARB/Tekturna combo product) require

PA if no previous history of an ARB or ARB containing product is seen in claims history.

Recommendation: Proposed new PA criteria is 1) intolerance to ACE inhibitor, or 2) in addition to an ACE inhibitor AND WITH the diagnosis of STEMI, or Heart Failure (EF < 40%; from the CHARM-Added trial). Renal disease was removed because the ON-TARGET Renal Outcomes subgroup had worse outcomes and included n>25,000 people, more than the COOPERATE trial. Add in Tekturna and Valturna (an ARB/Tekturna combo product).

Recommendation: Move Valturna to Tier 3

- **Review of select previously excluded drugs**
 - Stelara.

Recommendation: cover Stelara at Tier 3 with PA required
Proposed PA criteria is 1) diagnosis of moderate to severe plaque psoriasis (indicated by a PASI score of at least 10 based on 0-72 scale) and involvement of at least 10% BSA, and 2) inadequate response, intolerance, or contraindication to at least one conventional systemic agent for the treatment of psoriasis (i.e. methotrexate, cyclosporine, or psoralen plus ultraviolet A), and 3) not on concurrent TNF.

- **Request for the Board:** Implement a standard policy for effective dates for incorporating changes to the formulary

Recommendation: Amend the practice and adopt as a policy, plan design changes that include grandfathering of the drug when it moves through the tiers to occur at the beginning of the plan year.

McCook made the motion. Kirtley seconded. All were in favor. Motion carried.

- **NEW DRUGS**

Drug Name

Tier

Fanapt

Exclude

Fanapt is an atypical antipsychotic indicated for the acute treatment of schizophrenia in adults. Fanapt, like all other atypical antipsychotics, has a Black Box Warning regarding an increased risk of mortality in elderly patients with dementia-related psychosis treated with antipsychotic drugs.

Oforta

T3 with PA

Oforta™ (fludarabine phosphate tablets) for oral use is indicated as a single agent for the treatment of adult patients with B-cell chronic lymphocytic leukemia (CLL)

whose disease has not responded to or has progressed during or after treatment with at least one standard alkylating-agent Containing regimen. (PA criteria: 1) CLL, or 2) Non-Hodgkin's Lymphoma)

Sumavel

Exclude

Sumavel is a 5-HT receptor agonist indicated for the acute treatment of migraine attacks, with or without aura and the acute treatment of cluster headache episodes. It is a pre-filled, single-dose; needle-free subcutaneous delivery system containing 6mg of sumatriptan succinate

Soriatane

T3

SORIATANE is indicated for the treatment of severe psoriasis in adults. Due to the risk of severe birth defects, in females of reproductive potential SORIATANE should be reserved for nonpregnant patients with severe psoriasis who are unresponsive to other therapies or whose clinical condition contraindicates the use of other treatments.

Wilate

Not applicable

Wilate is a von Willebrand Factor/Coagulation Factor VIII Complex (Human) indicated for the treatment of spontaneous and trauma-induced bleeding episodes in patients with severe von Willebrand disease (VWD) as well as patients with mild or moderate VWD in whom the use of desmopressin is known or suspected to be ineffective or contraindicated.

Actemra

T3w/PA

Actemra is a recombinant humanized anti-human interleukin-6 (IL-6) receptor inhibitor indicated for the treatment of adult patients with moderately-to-severely active Rheumatoid Arthritis (RA) who have had an inadequate response to one or more Tissue Necrosis Factor (TNF) antagonist therapies.

Victoza

Exclude

Victoza is a glucagon-like peptide-1 (GLP-1) receptor agonist indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus.

Zyprexa Relprevv Inj

Exclude

ZYPREXA® RELPREVV™ is a long-acting atypical antipsychotic for intramuscular injection indicated for the treatment of schizophrenia.

Ampyra

Exclude

Ampyra is a broad spectrum potassium channel blocker indicated to Improve walking in patients with multiple sclerosis (MS) demonstrated by an increase in walking speed. It is the first oral therapy approved for MS, the first therapy specifically approved to treat a symptom of MS, and the first new therapy for MS since 2004. Ampyra will likely be used in addition to the biologic MS agents.

Xiaflex inj **not applicable (medical)**

Xiaflex is indicated for the treatment of adult patients with Dupuytren's contracture with a palpable cord. Xiaflex is designed to reduce collagen deposits and scar tissue in the hands stemming from Dupuytren's contracture.

Cayston Inh **T3w/PA**

Cayston is indicated to improve respiratory symptoms in cystic fibrosis (CF) patients with *Pseudomonas aeruginosa*. Cayston provides an alternative to Tobi but it does require reconstitution prior to use as opposed to Tobi's availability in ready to use solution. Also, Cayston is dosed three times per day compared to Tobi at twice daily dosing. (PA criteria: 1) DX of cystic fibrosis, and 2) known pulmonary infection with *Pseudomonas aeruginosa*, and 3) on concurrent bronchodilator therapy.)

Mirapex ER **T3**

Extended release version of pramipexole indicated for the treatment of early idiopathic Parkinson's disease in once daily dosing compared to the 3x per day dosing of the immediate release generic product.

Adrenaclick **T3**

Is a single-dose epinephrine auto-injector used for the treatment of anaphylaxis

Neutrasal Powder **exclude**

Powder for Supersaturated Calcium Phosphate Rinse is indicated for the dryness of the mouth (hyposalivation, xerostomia)

E-Z-Disk **exclude**

Barium sulfate is a radiopaque agent. Radiopaque agents are used to help diagnose certain medical problems.

Johnson informed the Board the committee also reviewed list of common cold products that do not have any index information available. Johnson said most were largely "me too drugs" that are more likely to be more expensive. The committee voted to exclude them.

- **Election of DUEC Chairman**

The DUEC elected Dr. William Golden as Chairman.

McCook made the motion to adopt the recommendations for Antihyperlipidemic Drug Coverage, Antihypertensive Drugs, Stelara, New drugs and DUEC Chairman. Kirtley seconded. All were in favor. Motion carried.

2. The Benefits Subcommittee Report by Jason Lee, EBD Executive Director

Lee presented the report for Jeff Altemus, Chairman.

Lee reported Delta Dental provided a speaker to talk to the committee regarding the treatment of TMJ. Lee said they learned a lot about the costs associated with treating the condition. After conversations with Dr. Herd the committee agreed that the \$1000 benefit limit does not amount to a fraction of the true cost for treatment. The benefits committees referred the "TMJ" benefit issue to the BSPW for review.

Lee reported the committee reviewed the 2011 PSE Preliminary Active Rates, as reported by Cheiron, and had a conversation about healthcare reform bill and the impact the plan is likely to see. The committee is expected to have a recommendation for the PSE Active rates for the Board in May.

Lee explained the plan currently covers over-the-counter brand Prilosec with a \$5.00 co-payment to the member if they have a prescription from their physician, and the plan pays a \$13.00 dispensing fee to the pharmacy. The benefits committee recommends that the plan update its "OTC Drug Coverage Program" and adopt a coverage policy for the possible addition of new drugs at a later time.

Recommendation: To allow certain OTC medications to be covered if the drug class and prescription strength equivalent is a covered benefit. These OTC products will be covered with a \$5.00 co-payment to the member, with a prescription from their doctor, and a \$6.50 dispensing fee to the pharmacy. This dispensing fee is based on the maximum amount a pharmacy might receive if they were to dispense a non-OTC medication, based on the current generic drug incentive program. Medications to be included at this time are as follows:
Continue coverage of brand, OTC Prilosec
Add coverage of generic, OTC omeprazole
Add coverage of brand, OTC Prevacid
This policy will allow the addition of new OTC products to be added as they become available. The current \$13.00 dispensing fee to the pharmacy will be left in place until the next plan year.

Lee said they've had discussions with the AR Pharmacist Association about the OTC Drug Program. Lee explained they did not want to open this up to every OTC drug, but only for those that have a class of prescription strength the plan covers.

McCook made the motion to accept recommendation for OTC medications; at this time, these include generic, OTC omeprazole and brand, OTC Prevacid. Kirtley seconded. All were in favor. Motion carried.

FINANCIALS *by Leigh Ann Chrouch*

Chrouch presented detailed financial statements for the Arkansas State Employees (ASE) and the Public School Employees (PSE) for February 2010. Chrouch also presented the ASE Cafeteria Plan Financial and the state penalties assessed for December 2009 through February 2010.

Chairman Harrison commented she has been reviewing all of the current budget issues for DF&A, and this is the only place she knows where there is money.

Lee presented a report of the monthly rate history from 2000 -2010 for ASE and PSE groups. The report contained charts to show trend costs to employee in the AR Benefits Health Plan, focusing on the base premiums, contribution and cost to employee. Lee said they wanted to demonstrate the trend of base premiums and how contributions has or has not remained consistent.

2011 PSE PRELIMINARY ACTIVE RATES *by Karen Mallett*

Mallett provided an overview of the preliminary PSE Active rates for 2010-2011. Mallett presented a revised rating worksheet since the last meeting and also the options reviewed by the Benefits Committee: Full Credibility to HDPPO, Blending non-Medicare Retirees, with no Retiree Subsidy,

The Board viewed rating options for \$18M reserves allocation and with 50% credit given to the HD PPO Plan.

A discussion ensued.

Dr. Thompson commented he has never seen a federal program that added support to states for anything that did not have maintenance of effort requirement. Thompson said he would not want them to blend, and then be forced to maintain the blending; making the plan not eligible for other offers in the future.

Lee talked about the "Cadillac tax" -- an excise tax on premium insurance plans, applicable in the year 2018. Lee said blending is a way to reduce the base cost value of the plan without adjusting the total spend. Lee said if not now, then at some point down the road the blending conversation will take place again to address the Cadillac tax.

McCook said they need to give more credit to the HDPPO plan before the provisions take effect, and also make the HDPPO plan available to the retirees. McCook said they are going to have to be in a position to prove they have an affordable insurance plan.

Alexander said they are segregating the sick people from the healthy people as more people move from the traditional plan to the HDPPO plan. Alexander said it sort of defeats the principle of insurance and overtime it might lead to escalated claims and premium costs. Alexander said he is afraid they are going to end up with an affordable

health insurance plan for the healthy people and an unaffordable health insurance for the not so healthy people.

Dr. Thompson said they are going to have to be much more aggressive on costs containment efforts. Thompson said the HD PPO piece is really not cost containment, but rather cost shifting. Thompson said the cost containment piece is going to have to be something that is not in the healthcare reform bill. Thompson said the health reform bill requires plans to cover services with the strongest supported evidence.

Lee said the affordability piece becomes a massive impact on the plan in a few years when the "Exchange" becomes a viable competitor in the market. Lee said it is comparative that they have an affordable plan option for the employees.

HEALTHCARE REFORM DISCUSSION *by Jason Lee*

Lee said there are many changes indicated in the health-care reform bill known as the Patient Protection and Affordable Care Act that health plans are required to implement. Lee said the AR Health plan has had the changes in their plan design for a number of years, and so the immediate impact to the plan is not going to be significant. Lee said they are looking at the wellness benefit in the bill to make sure they cover the preventative and immunizations services.

Lee said there are some reporting provisions that will add some new challenges for them in the next tax year. They will be required to report the value of the plan on member's W-2 forms and/or a 1099 to the IRS.

Lee said there is a very complicated defined list of quality indicators and a series of different fees associated with the pharmaceutical and medical devices indicated in the bill.

Meeting Adjourned.

AGENDA

**State and Public School
Life and Health Insurance Board
EBD Board Room
501 Building, 5th Floor
1 p.m.
April 13, 2010**

- 1. Call to Order** *Janis Harrison, Chairman*
- 2. Approval of Minutes** *Janis Harrison, Chairman*
- 3. Committee Reports**
 - *DUEC*..... *Dr. William Golden, Chairman*
 - *Benefits Subcommittee* *Jeff Altemus, Chairman*
- 4. Financials** *Leigh Ann Chrouch, CFO-EBD*
- 5. 2011 PSE Preliminary Active Rates** *John Colberg, Cheiron*
- 6. Healthcare Reform Update** *Jason Lee, EBD*
- 7. Director's Report** *Jason Lee, EBD*

**Next Meeting
May 11th**

The Drug Utilization and Evaluation Committee (DUEC)

The following recommendations for the Board consideration resulted from a meeting of the DUEC on April 5, 2010.

1. Antihyperlipidemic Drug Coverage

- Vytorin and Zetia Utilization

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The committee reviewed Drug Safety Communication recently presented by the FDA.

Recommendation: Place Zetia at the tier 2 status w/PA requirement 1) intolerance to a statin, and 2) not at LDL goal. Zetia only available if failed high dose statin and/or niacin or intolerance to the drug or medical problems (severe drug interactions); effective at the beginning of next plan year for existing users and 07/01/2010or new utilizers

Vytorin – not covered. Exclude new users effective 7/1/2010. Current users will be grandfathered in at Tier 3 copay for a period of time to be determined by the Board.

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Currently, all ARB's and ARB containing products (ARB/Thiazide combos, ARB/CCB combos, and Valtorna (an ARB/Tekturna combo product) require PA if no previous history of an ARB or ARB containing product is seen in claims history. The one exception is Tekturna.

Recommendation: Proposed new PA criteria is 1) intolerance to ACE inhibitor, or 2) in addition to an ACE inhibitor AND WITH the diagnosis of STEMI, or Heart Failure (EF < 40%; from the CHARM-Added trial). Renal disease was removed because the ON-TARGET Renal Outcomes subgroup had worse outcomes and included n>25,000 people, more than the

COOPERATE trial. Add in Tekturna and Valtorna (an ARB/Tekturna combo product).

Recommendation: Move Valtorna to Tier 3

3. Review of select previously excluded drugs

- Stelara.

Recommendation: cover Stelara at Tier 3 with PA required
Proposed PA criteria is 1) diagnosis of moderate to severe plaque psoriasis (indicated by a PASI score of at least 10 based on 0-72 scale) and involvement of at least 10% BSA, and 2) inadequate response, intolerance, or contraindication to at least one conventional systemic agent for the treatment of psoriasis (i.e. methotrexate, cyclosporine, or psoralen plus ultraviolet A), and 3) not on concurrent TNF.

4. Request for the Board:

A standard policy for effective dates for incorporating changes to the formulary

5. NEW DRUGS

Drug Name

Tier

Fanapt

Exclude

Fanapt is an atypical antipsychotic indicated for the acute treatment of schizophrenia in adults. Fanapt, like all other atypical antipsychotics, has a Black Box Warning regarding an increased risk of mortality in elderly patients with dementia-related psychosis treated with antipsychotic drugs.

Oforta

T3 with PA

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Sumavel

Exclude

Sumavel is a 5-HT receptor agonist indicated for the acute treatment of migraine attacks, with or without aura and the acute treatment of cluster headache episodes. It is a pre-filled, single-dose; needle-free subcutaneous delivery system containing 6mg of sumatriptan succinate

Soriatane**T3**

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Wilate**Exclude- limit for use in ER & Hospitals**

Wilate is a von Willebrand Factor/Coagulation Factor VIII Complex (Human) indicated for the treatment of spontaneous and trauma-induced bleeding episodes in patients with severe von Willebrand disease (VWD) as well as patients with mild or moderate VWD in whom the use of desmopressin is known or suspected to be ineffective or contraindicated.

Actemra**T3w/PA**

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Victoza**Exclude**

Victoza is a glucagon-like peptide-1 (GLP-1) receptor agonist indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus.

Zyprexa Relprevv Inj**Exclude**

ZYPREXA® RELPREVV™ is a long-acting atypical antipsychotic for intramuscular injection indicated for the treatment of schizophrenia.

Ampyra**Exclude**

Ampyra is a broad spectrum potassium channel blocker indicated to improve walking in patients with multiple sclerosis (MS) demonstrated by an increase in walking speed. It is the first oral therapy approved for MS, the first therapy specifically approved to treat a symptom of MS, and the first new therapy for MS since 2004. Ampyra will likely be used in addition to the biologic MS agents.

Xiaflex inj**not applicable (medical)**

Xiaflex is indicated for the treatment of adult patients with Dupuytren's contracture with a palpable cord. Xiaflex is designed to reduce collagen deposits and scar tissue in the hands stemming from Dupuytren's contracture.

Cayston Inh**T3w/PA**

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Mirapex ER**T3**

Extended release version of pramipexole indicated for the treatment of early idiopathic Parkinson's disease in once daily dosing compared to the 3x per day dosing of the immediate release generic product.

Adrenaclick**Include same place as EpiPen**

Is a single-dose epinephrine auto-injector used for the treatment of anaphylaxis

Neutrasal Powder**tableted**

Powder for Supersaturated Calcium Phosphate Rinse is indicated for the dryness of the mouth (hyposalivation, xerostomia)

E-Z-Disk**exclude**

Barium sulfate is a radiopaque agent. Radiopaque agents are used to help diagnose certain medical problems.

6. Election of DUEC Chairman

Recommendation: Dr. William Golden

7. Other topics

Testosterone Replacement Products – no action
Uloric --- Update PA criteria.

State and Public School Life and Health Insurance Board

Benefits Sub-Committee Report

Meeting Date: April 9, 2010

Delta Dental provided a speaker to talk about TMJ. The issue was forwarded to the BSPW for additional research.

The Committee reviewed the 2011 PSE Preliminary Active Rates, as reported by Cheiron. The committee is expected to have a recommendation for the Board in May.

The committee received an update on Healthcare Reform from the EBD Executive Director.

The Benefits subcommittee had one recommendation for the Board's consideration:

Recommendation: To allow certain OTC medications to be covered if the drug class and prescription strength equivalent is a covered benefit. These OTC products will be covered with a \$5.00 co-payment to the member, with a prescription from their doctor, and a \$6.50 dispensing fee to the pharmacy.

This dispensing fee is based on the maximum amount a pharmacy might receive if they were to dispense a non-OTC medication, based on the current generic drug incentive program.

Medications to be included at this time are as follows:

Continue coverage of brand, OTC Prilosec

Add coverage of generic, OTC omeprazole

Add coverage of brand, OTC Prevacid

This policy will allow the addition of new OTC products to be added as they become available.

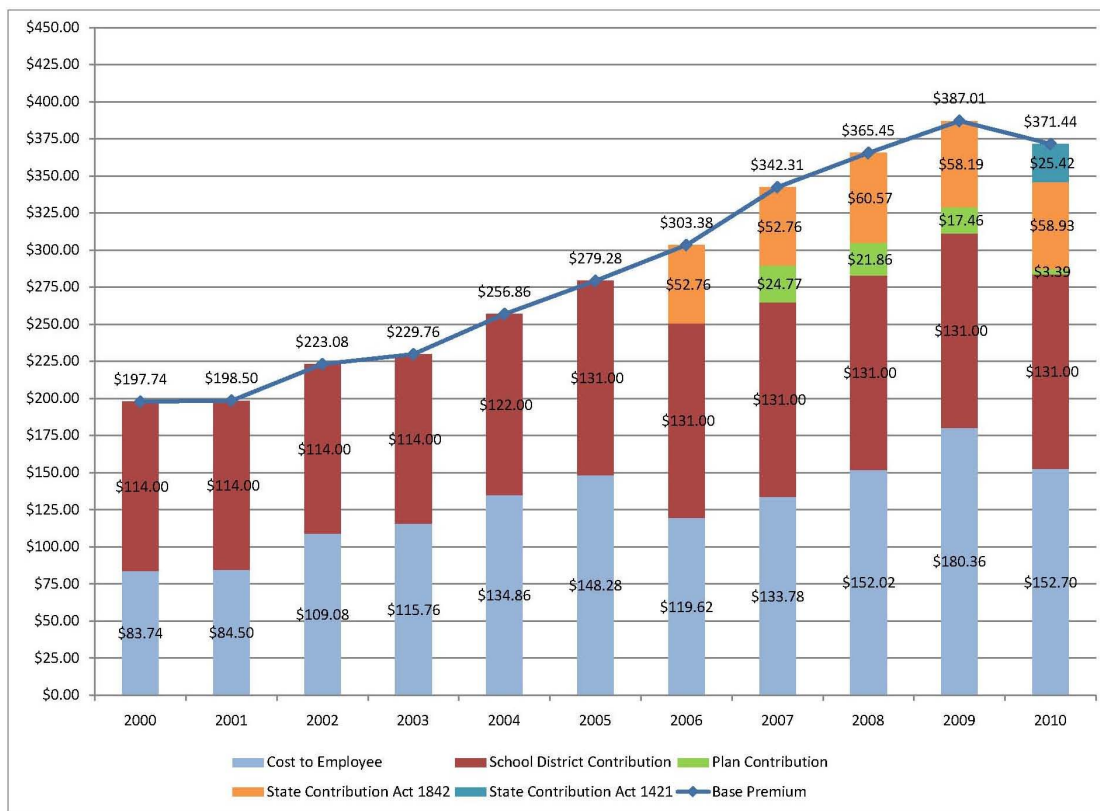


Monthly Rate History 2000-2010 for Arkansas State and Public School Employees

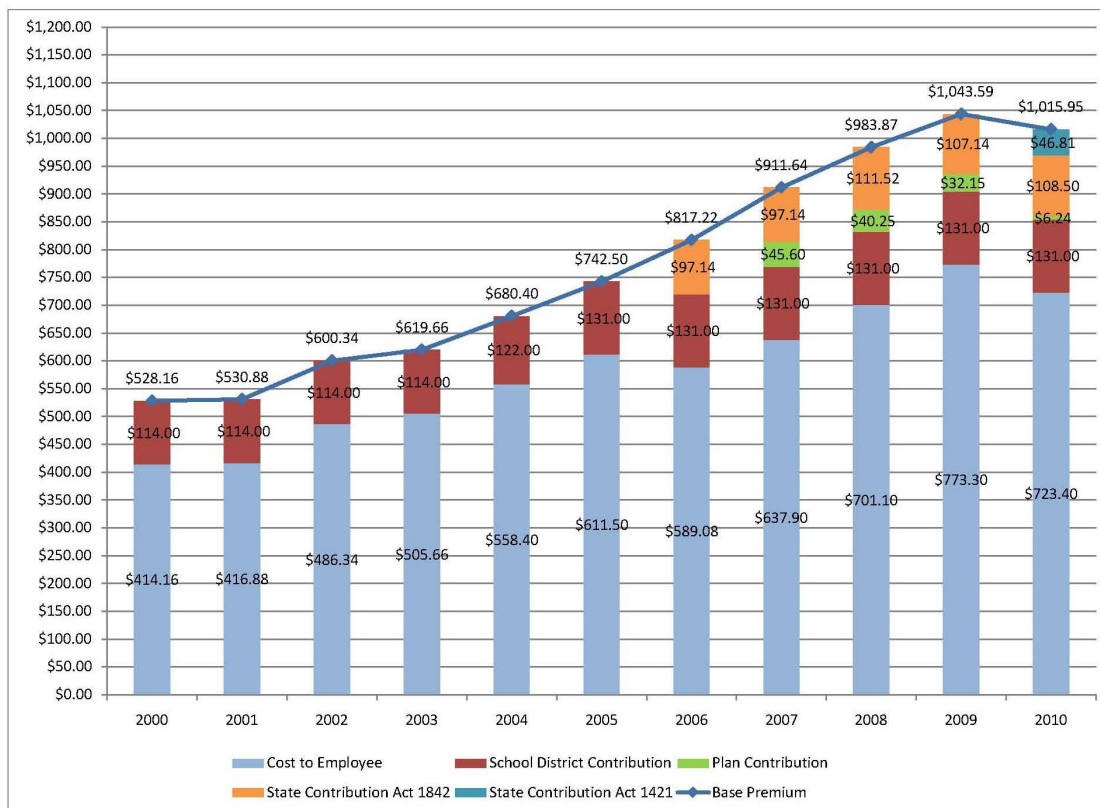
Executive Summary

This document contains charts created to show trends in costs to employees in the ARBenefits Health Plan. The charts were created using data compiled over 10 years of rates, focusing on the base premium, contribution and cost to employee. The idea of these charts is to demonstrate the trend of base premium and how contribution has or has not remained consistent. The base premium is listed as the graph at the top of the bars. Below that are the contributions, which are broken down into specific categories on the PSE side. The bottom of the bars show the cost to the employee, which is the base premium minus the contributions. All rates listed are based on the Health Advantage Point of Service Plan.

Public School Employee-Only Monthly Rates 2000-2010

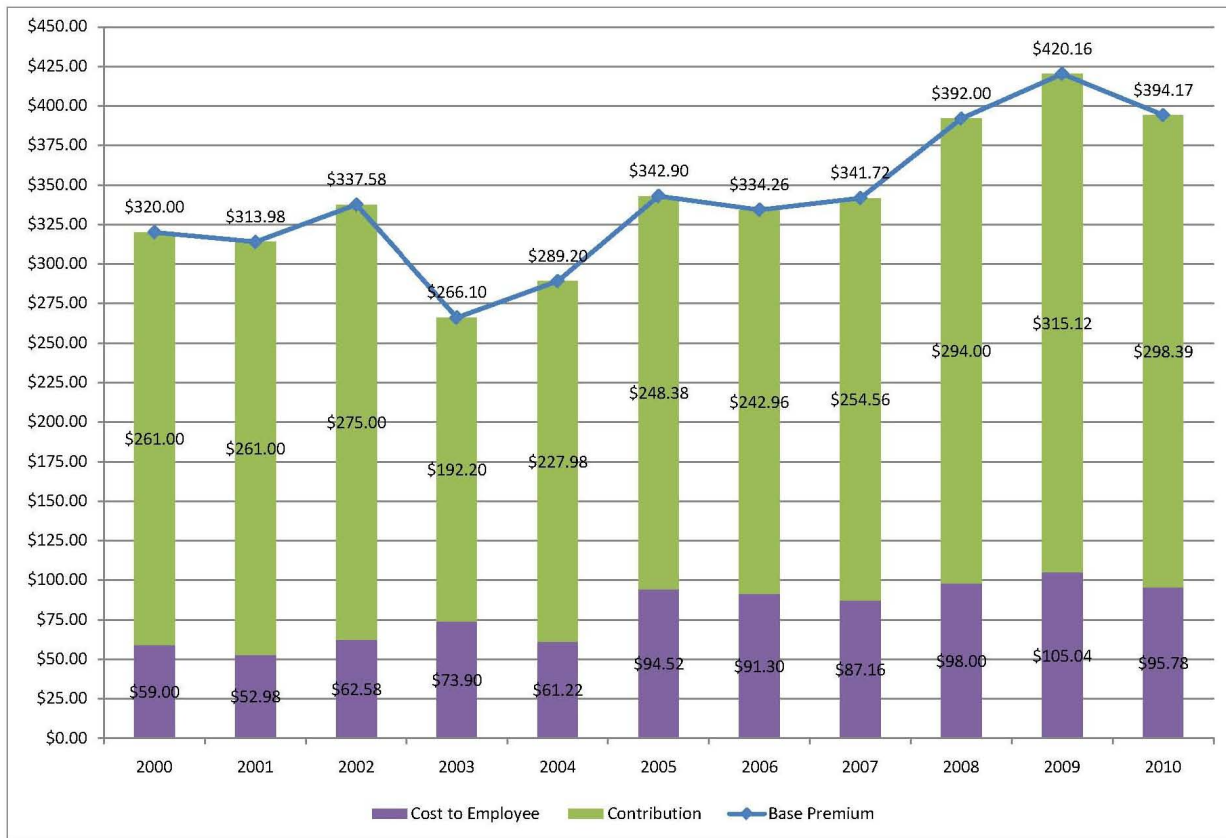


Public School Employee plus Family Monthly Rates 2000-2010

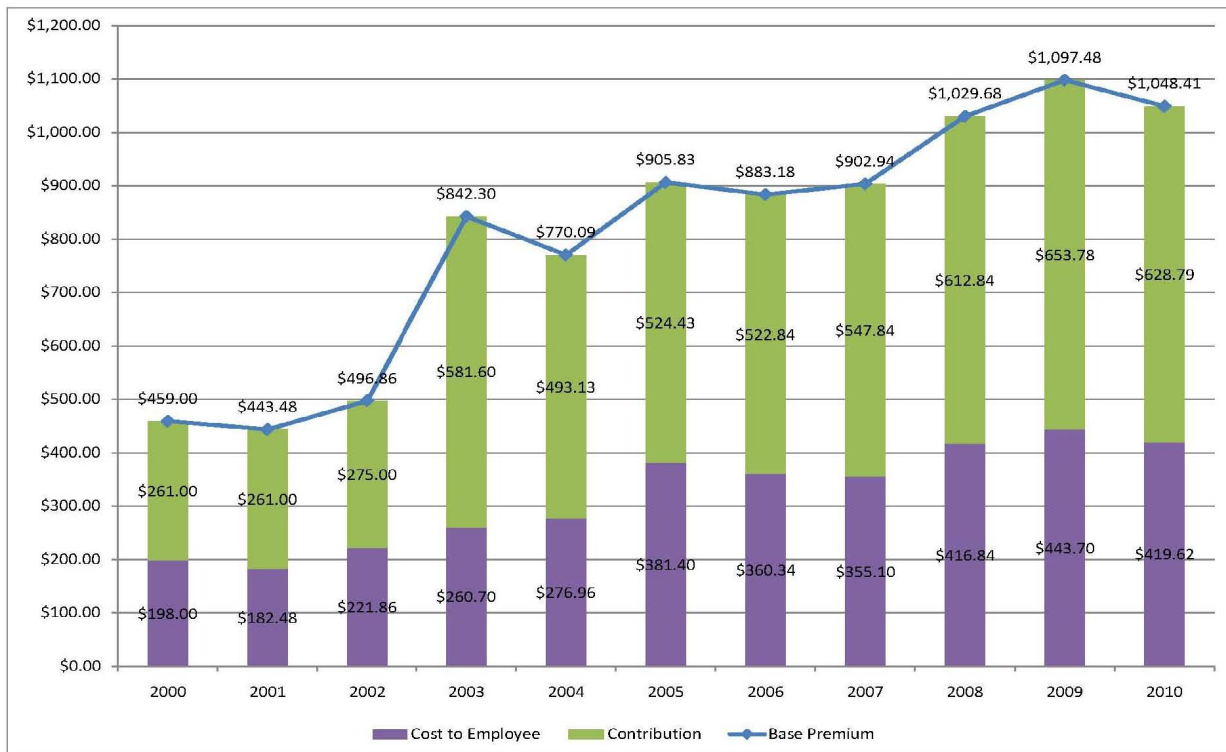


These Charts show the Public School Employee (top) and Family (bottom) monthly rates for the past 10 years. The contribution is broken up into three separate areas, which are: Act 1842 (\$35 million), Act 1421 (\$15 Million) and Plan Contribution. Below that is the School District Contribution, which is \$131 minimum per PSE employee who is on the plan. When you subtract the contribution from the base premium, you get the employee cost. In both of these examples, the cost has increased in base premium, while the school contribution has remained fairly steady.

Arkansas State Employee-Only Monthly Rates 2000-2010



Arkansas State Employee plus Family Monthly Rates 2000-2010



These charts show Arkansas State Employee-Only Monthly rates (top) and the Employee plus Family rates (bottom) for the past 10 years. The contribution section (green) displays both state contribution and reserve contribution combined. Base Premium includes \$20 Health Risk Assessment load, when applicable.

Arkansas Public School Employees Health Benefits Program

Preliminary PSE Active Rates for 2010-2011 April Update

Karen Mallett, FSA

April 13, 2010





Topics

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Since Last Meeting

- Updated Experience with Two Additional Months of Run-Out Claims
- Completed Gain / Loss Analysis
- Developed Alternative Rating Methodology
- Reviewed Trend Assumptions with Health Advantage, NovaSys and InformedRx



Option 1 - Baseline

PSE ACTIVE RATE DEVELOPMENT for FY2011

Plan:

Benefit:

Experience Period - Service (Incurred) Dates

Experience Period - Processed (Paid) Dates

	Health Advantage			Novasys (ARHealth)			Novasys (HD PPO)		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
	1/09 - 12/09	2/09 - 1/10		1/09 - 12/09	2/09 - 1/10		1/09 - 12/09	2/09 - 1/10	
	1/09 - 2/10	2/09 - 2/10		1/09 - 2/10	2/09 - 2/10		1/09 - 2/10	2/09 - 2/10	
	A	B	C	D	E	F	G	H	I
1 Total Incurred Medical & Rx Claims (Experience Period)	\$136,475,915	\$40,473,636	\$176,949,550	\$21,624,451	\$5,003,199	\$26,627,650	\$4,067,949	\$368,208	\$4,436,158
2 Less High Cost Claims Above (Med/Rx) \$100,000 \$20,000	\$4,531,220	\$1,922,581	\$6,453,801	\$2,420,787	\$264,908	\$2,685,694	\$342,918	\$27,555	\$370,473
3 Net Incurred Claims below Pooling Point [1 - 2]	\$131,944,695	\$38,551,055	\$170,495,749	\$19,203,664	\$4,738,291	\$23,941,956	\$3,725,031	\$340,654	\$4,065,685
4 Person Months for Experience Period	630,669	632,577	631,100	79,994	78,187	79,636	39,744	40,613	39,817
5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4]	\$209.21	\$60.94	\$270.15	\$240.06	\$60.60	\$300.66	\$93.73	\$8.39	\$102.12
6 Change in Benefits During Experience Period	1.0079	1.0000		1.0082	1.0000		1.0086	1.0000	
7 Change in Demographic or Risk During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
8 Change in Geographic During Experience Period	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
9 a) Annual Trend Rate	5.0%	8.5%		5.0%	8.5%		5.0%	8.5%	
b) Months to Trend	21	20		21	20		21	20	
c) Trend Adjustment	1.0890	1.1452		1.0891	1.1456		1.0891	1.1456	
10 Adjusted Claims Charged PPPM [6 x 7 x 8 x 9c]	\$229.62	\$69.79	\$299.40	\$263.59	\$69.43	\$333.02	\$102.96	\$9.61	\$112.57
11 Charge for Claims above Pooling Point PPPM	\$7.82	\$3.48	\$11.30	\$32.96	\$3.88	\$36.84	\$9.40	\$0.78	\$10.17
12 Total Claims Charged PPPM [9 + 10]	\$237.44	\$73.27	\$310.71	\$296.55	\$73.31	\$369.86	\$112.36	\$10.39	\$122.75
13 Change in Future Benefits (Level / Management / Discounts)	1.0000	1.0000		1.0000	1.0000		1.0000	1.0000	
14 Change in Future Demog (Age/Gender/Family Status) or Risk	0.9971	0.9948		1.0190	1.0359		0.9770	0.9762	
15 Change in Future Geographic	0.9990	0.9990		1.0018	1.0018		1.0003	1.0003	
16 Proj. Experience Incurred Claim PPPM [12 x 13 x 14 x 15]	\$236.51	\$72.81	\$309.32	\$302.72	\$76.08	\$378.80	\$109.81	\$10.15	\$119.96
17 Projected Blended Incurred Claim PPPM	not calculated	\$70.24	not calculated	\$237.64	\$70.24	\$307.88	\$196.43	\$52.57	\$249.00
18 Percent to Use Blended Experience	0%	100%	0%	60%	100%		60%	100%	
19 Rating Incurred Claim PPPM [16 x 17 x 18]	\$236.51	\$70.24	\$306.75	\$263.67	\$70.24	\$333.91	\$161.78	\$52.57	\$214.35
20 Projected Persons Months	653,136	653,136	653,136	64,488	64,488	64,488	48,456	48,456	48,456
21 Projected Total Incurred Claims [19 x 20]	\$154,470,481	\$45,877,448	\$200,347,929	\$17,003,545	\$4,529,753	\$21,533,298	\$7,839,218	\$2,547,364	\$10,386,582
22 Conversion to Rating Tiers [19 x rating tier x counts]	x tier factor	Projected Ee Months	PEPM	x tier factor	Projected Ee Months	PEPM	x tier factor	Projected Ee Months	PEPM
a) Employee Only	1.10	360,504	\$335.90	1.12	35,544	\$375.01	1.11	22,260	\$238.70
b) Employee & Spouse	3.26	18,684	\$999.62	3.25	1,392	\$1,084.32	3.28	1,848	\$703.42
c) Employee & Child(ren)	2.06	61,608	\$632.51	2.07	6,240	\$691.99	2.08	2,892	\$446.39
d) Family	3.27	21,540	\$1,003.28	3.26	2,184	\$1,088.23	3.29	3,516	\$705.98
23 Rates Balance Confirmation		462,336	\$200,347,929		45,360	\$21,533,298		30,516	\$10,386,582

Note: The figures presented are preliminary and subject to change.



Comparison of Rates

	Total Monthly Premium						2010-2011 Total Cost (to Participants)					
Actives	Option 1 - Baseline	Option 2 - Full Cred	Option 3 - Blend Ret.	Option 4 - No Subsidy	Option 5 - Use \$18 mill of the Reserves	Option 6 - Opt 5 w/HD PPO 50% own exper.	Option 1 - Baseline	Option 2 - Full Cred	Option 3 - Blend Ret.	Option 4 - No Subsidy	Option 5 - Use \$18 mill of the Reserves	Option 6 - Opt 5 w/HD PPO 50% own exper.
Health Advantage												
Employee Only	\$390.98	\$393.79	\$397.54	\$389.79	\$389.79	\$391.51	\$175.18	\$177.99	\$181.74	\$173.99	\$165.71	\$167.43
Employee & Spouse	1,057.74	1,066.11	1,084.08	1,076.33	1,076.33	1,081.46	775.98	784.35	802.32	794.57	779.84	784.97
Employee & Child(ren)	689.41	694.71	704.81	697.06	697.06	700.30	442.90	448.20	458.30	450.55	439.27	442.51
Family	1,065.40	1,073.81	1,091.85	1,084.10	1,084.10	1,089.25	778.27	786.68	804.72	796.97	781.73	786.88
Est. Monthly Cost (\$ mil)	\$18.8	\$19.0	\$19.2	\$18.9	\$18.9	\$19.0	\$10.1	\$10.3	\$10.5	\$10.2	\$9.9	\$9.9
Novasys												
Employee Only	\$416.86	\$467.27	\$417.59	\$409.84	\$409.84	\$418.34	\$201.06	\$251.47	\$201.79	\$194.04	\$185.76	\$194.26
Employee & Spouse	1,129.21	1,274.96	1,137.86	1,130.11	1,130.11	1,154.67	847.45	993.20	856.10	848.35	833.62	858.18
Employee & Child(ren)	735.66	828.68	739.94	732.19	732.19	747.86	489.15	582.17	493.43	485.68	474.40	490.07
Family	1,137.12	1,283.40	1,145.81	1,138.06	1,138.06	1,162.71	849.99	996.27	858.68	850.93	835.69	860.34
Est. Monthly Cost (\$ mil)	\$2.0	\$2.2	\$2.0	\$1.9	\$1.9	\$2.0	\$1.1	\$1.3	\$1.1	\$1.1	\$1.0	\$1.1
Novasys HD PPO												
Employee Only	\$280.55	\$175.43	\$280.21	\$272.46	\$272.46	\$237.64	\$64.75	(\$40.37)	\$64.41	\$56.66	\$48.38	\$13.56
Employee & Spouse	748.31	438.54	754.01	746.26	746.26	643.65	466.55	156.78	472.25	464.50	449.77	347.16
Employee & Child(ren)	490.06	293.48	492.42	484.67	484.67	419.55	243.55	46.97	245.91	238.16	226.88	161.76
Family	754.87	443.98	760.60	752.85	752.85	649.87	467.74	156.85	473.47	465.72	450.48	347.50
Est. Monthly Cost (\$ mil)	\$1.0	\$0.6	\$1.0	\$1.0	\$1.0	\$0.8	\$0.4	\$0.0	\$0.4	\$0.4	\$0.3	\$0.2
Total (Monthly) (\$ mil)	\$21.8	\$21.8	\$22.1	\$21.8	\$21.8	\$21.8	\$11.6	\$11.6	\$12.0	\$11.7	\$11.2	\$11.2
Est Annual Cost (\$ mil)	\$261.3	\$261.3	\$265.8	\$261.6	\$261.6	\$261.6	\$139.6	\$139.6	\$144.1	\$139.9	\$134.9	\$134.9

Note: The figures presented are preliminary and subject to change.

Option 1 – Baseline



PSE Detailed Financials



CLAIMS & EXPENSES	
Blend ASE & PSE NME	Yes
Combine NM Ret with Actives	No
Blend Novasys & HDPPO	Yes
If yes, % to Blend (ASE)	60%
If yes, % to Blend (PSE)	60%
% to Blend Pharmacy (All)	100%

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.00
Retiree NME -12/31	\$2.20	\$1.32	\$0.88	\$0.00
Retiree ME -12/31	\$1.80	\$1.08	\$0.72	\$0.00
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$11.20	\$11.20	\$11.20

2011 vs. 2010

Actives	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)	Most Recent Enrollment
Health Advantage													
Employee Only	\$335.90	\$37.84	\$6.04	\$11.20	\$390.98	\$57.97	\$24.84	\$1.99	\$131.00	\$175.18	\$152.69	\$22.49 15%	30,042
Employee & Spouse	999.62	37.84	9.08	11.20	1,057.74	103.06	44.17	3.53	131.00	775.98	721.45	54.53 8%	1,557
Employee & Child(ren)	632.51	37.84	7.86	11.20	689.41	78.96	33.84	2.71	131.00	442.90	406.05	36.85 9%	5,134
Family	1,003.28	37.84	13.08	11.20	1,065.40	106.73	45.75	3.66	131.00	778.27	723.40	54.87 8%	1,795
Est. Monthly Cost (\$mil)	\$16.7	\$1.5	\$0.3	\$0.4	\$18.8	\$2.5	\$1.1	\$0.1	\$5.0	\$10.1			38,528
Novasys													
Employee Only	\$375.01	\$24.61	\$6.04	\$11.20	\$416.86	\$57.97	\$24.84	\$1.99	\$131.00	\$201.06	\$173.33	\$27.73 16%	2,962
Employee & Spouse	1,084.32	24.61	9.08	11.20	1,129.21	103.06	44.17	3.53	131.00	847.45	\$779.05	68.40 9%	116
Employee & Child(ren)	691.99	24.61	7.86	11.20	735.66	78.96	33.84	2.71	131.00	489.15	\$443.21	45.94 10%	520
Family	1,088.23	24.61	13.08	11.20	1,137.12	106.73	45.75	3.66	131.00	849.99	\$781.20	68.79 9%	182
Est. Monthly Cost (\$mil)	\$1.8	\$0.1	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1			3,780
Novasys HD PPO													
Employee Only	\$238.70	\$24.61	\$6.04	\$11.20	\$280.55	\$57.97	\$24.84	\$1.99	\$131.00	\$64.75	\$48.19	\$16.56 34%	1,855
Employee & Spouse	703.42	24.61	9.08	11.20	748.31	103.06	44.17	3.53	131.00	466.55	429.93	36.62 9%	154
Employee & Child(ren)	446.39	24.61	7.86	11.20	490.06	78.96	33.84	2.71	131.00	243.55	217.98	25.57 12%	241
Family	705.98	24.61	13.08	11.20	754.87	106.73	45.75	3.66	131.00	467.74	430.84	36.90 9%	293
Est. Monthly Cost (\$mil)	\$0.9	\$0.1	\$0.0	\$0.0	\$1.0	\$0.2	\$0.1	\$0.0	\$0.3	\$0.4			2,543
Total (Monthly) (\$ mil)	\$19.4	\$1.6	\$0.3	\$0.5	\$21.8	\$2.9	\$1.3	\$0.1	\$5.9	\$11.6			44,851
Est Annual Cost (\$ mil)	\$232.3	\$19.4	\$3.6	\$6.0	\$261.3	\$35.0	\$15.0	\$1.2	\$70.5	\$139.6			

Note: The figures presented are preliminary and subject to change.

Option 2 – Full Credibility to Novasys/HDPPO



PSE Detailed Financials



CLAIMS & EXPENSES	
Blend ASE & PSE NME	Yes
Combine NM Ret with Actives	No
Blend Novasys & HDPPO	No
If yes, % to Blend (ASE)	0%
If yes, % to Blend (PSE)	0%
% to Blend Pharmacy (All)	0%

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.00
Retiree NME -12/31	\$2.20	\$1.32	\$0.88	\$0.00
Retiree ME -12/31	\$1.80	\$1.08	\$0.72	\$0.00
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$11.20	\$11.20	\$11.20

2011 vs. 2010

Actives	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)		Most Recent Enrollment
Health Advantage														
Employee Only	\$338.71	\$37.84	\$6.04	\$11.20	\$393.79	\$57.97	\$24.84	\$1.99	\$131.00	\$177.99	\$152.69	\$25.30	17%	30,042
Employee & Spouse	1,007.99	37.84	9.08	11.20	1,066.11	103.06	44.17	3.53	131.00	784.35	721.45	62.90	9%	1,557
Employee & Child(ren)	637.81	37.84	7.86	11.20	694.71	78.96	33.84	2.71	131.00	448.20	406.05	42.15	10%	5,134
Family	1,011.69	37.84	13.08	11.20	1,073.81	106.73	45.75	3.66	131.00	786.68	723.40	63.28	9%	1,795
Est. Monthly Cost (\$mil)	\$16.8	\$1.5	\$0.3	\$0.4	\$19.0	\$2.5	\$1.1	\$0.1	\$5.0	\$10.3				38,528
Novasys														
Employee Only	\$425.42	\$24.61	\$6.04	\$11.20	\$467.27	\$57.97	\$24.84	\$1.99	\$131.00	\$251.47	\$173.33	\$78.14	45%	2,962
Employee & Spouse	1,230.07	24.61	9.08	11.20	1,274.96	103.06	44.17	3.53	131.00	993.20	\$779.05	214.15	27%	116
Employee & Child(ren)	785.01	24.61	7.86	11.20	828.68	78.96	33.84	2.71	131.00	582.17	\$443.21	138.96	31%	520
Family	1,234.51	24.61	13.08	11.20	1,283.40	106.73	45.75	3.66	131.00	996.27	\$781.20	215.07	28%	182
Est. Monthly Cost (\$mil)	\$2.0	\$0.1	\$0.0	\$0.0	\$2.2	\$0.2	\$0.1	\$0.0	\$0.5	\$1.3				3,780
Novasys HD PPO														
Employee Only	\$133.58	\$24.61	\$6.04	\$11.20	\$175.43	\$57.97	\$24.84	\$1.99	\$131.00	(\$40.37)	\$48.19	(\$88.56)	-184%	1,855
Employee & Spouse	393.65	24.61	9.08	11.20	438.54	103.06	44.17	3.53	131.00	156.78	429.93	(273.15)	-64%	154
Employee & Child(ren)	249.81	24.61	7.86	11.20	293.48	78.96	33.84	2.71	131.00	46.97	217.98	(171.01)	-78%	241
Family	395.09	24.61	13.08	11.20	443.98	106.73	45.75	3.66	131.00	156.85	430.84	(273.99)	-64%	293
Est. Monthly Cost (\$mil)	\$0.5	\$0.1	\$0.0	\$0.0	\$0.6	\$0.2	\$0.1	\$0.0	\$0.3	\$0.0				2,543
Total (Monthly) (\$ mil)	\$19.4	\$1.6	\$0.3	\$0.5	\$21.8	\$2.9	\$1.3	\$0.1	\$5.9	\$11.6				44,851
Est Annual Cost (\$ mil)	\$232.3	\$19.4	\$3.6	\$6.0	\$261.3	\$35.0	\$15.0	\$1.2	\$70.5	\$139.6				

Note: The figures presented are preliminary and subject to change.



Option 3 - Baseline with Non-Medicare Retirees Blended - Actives

CHEIRON

PSE Detailed Financials

H-scan

CLAIMS & EXPENSES	
Blend ASE & PSE NME	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPPO	Yes
If yes, % to Blend (ASE)	60%
If yes, % to Blend (PSE)	60%
% to Blend Pharmacy (All)	100%

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.00
Retiree NME -12/31	\$2.20	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$1.80	\$2.40	\$1.60	\$0.00
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$7.75	\$7.75	\$7.75

2011 vs. 2010

Actives	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)		Most Recent Enrollment
Health Advantage														
Employee Only	\$345.91	\$37.84	\$6.04	\$7.75	\$397.54	\$57.97	\$24.84	\$1.99	\$131.00	\$181.74	\$152.69	\$29.05	19%	30,042
Employee & Spouse	1,029.41	37.84	9.08	7.75	1,084.08	103.06	44.17	3.53	131.00	802.32	721.45	80.87	11%	1,557
Employee & Child(ren)	651.36	37.84	7.86	7.75	704.81	78.96	33.84	2.71	131.00	458.30	406.05	52.25	13%	5,134
Family	1,033.18	37.84	13.08	7.75	1,091.85	106.73	45.75	3.66	131.00	804.72	723.40	81.32	11%	1,795
Est. Monthly Cost (\$mil)	\$17.2	\$1.5	\$0.3	\$0.3	\$19.2	\$2.5	\$1.1	\$0.1	\$5.0	\$10.5				38,528
Novasys														
Employee Only	\$379.19	\$24.61	\$6.04	\$7.75	\$417.59	\$57.97	\$24.84	\$1.99	\$131.00	\$201.79	\$173.33	\$28.46	16%	2,962
Employee & Spouse	1,096.42	24.61	9.08	7.75	1,137.86	103.06	44.17	3.53	131.00	856.10	\$779.05	77.05	10%	116
Employee & Child(ren)	699.72	24.61	7.86	7.75	739.94	78.96	33.84	2.71	131.00	493.43	\$443.21	50.22	11%	520
Family	1,100.37	24.61	13.08	7.75	1,145.81	106.73	45.75	3.66	131.00	858.68	\$781.20	77.48	10%	182
Est. Monthly Cost (\$mil)	\$1.8	\$0.1	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1				3,780
Novasys HD PPO														
Employee Only	\$241.81	\$24.61	\$6.04	\$7.75	\$280.21	\$57.97	\$24.84	\$1.99	\$131.00	\$64.41	\$48.19	\$16.22	34%	1,855
Employee & Spouse	712.57	24.61	9.08	7.75	754.01	103.06	44.17	3.53	131.00	472.25	429.93	42.32	10%	154
Employee & Child(ren)	452.20	24.61	7.86	7.75	492.42	78.96	33.84	2.71	131.00	245.91	217.98	27.93	13%	241
Family	715.16	24.61	13.08	7.75	760.60	106.73	45.75	3.66	131.00	473.47	430.84	42.63	10%	293
Est. Monthly Cost (\$mil)	\$0.9	\$0.1	\$0.0	\$0.0	\$1.0	\$0.2	\$0.1	\$0.0	\$0.3	\$0.4				2,543
Total (Monthly) (\$ mil)	\$19.9	\$1.6	\$0.3	\$0.3	\$22.1	\$2.9	\$1.3	\$0.1	\$5.9	\$12.0				44,851
Est Annual Cost (\$ mil)	\$238.6	\$19.4	\$3.6	\$4.2	\$265.8	\$35.0	\$15.0	\$1.2	\$70.5	\$144.1				

Note: The figures presented are preliminary and subject to change.



Option 3 - Baseline with Non-Medicare Retirees Blended - Retirees



PSE Detailed Financials



CLAIMS & EXPENSES

Blend ASE & PSE NME	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPO	Yes
If yes, % to Blend (ASE)	60%
If yes, % to Blend (PSE)	60%
% to Blend Pharmacy (All)	100%

ALLOCATED RESERVES (in \$millions)

PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.00
Retiree NME -12/31	\$2.20	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$1.80	\$2.40	\$1.60	\$0.00
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$7.75	\$7.75	\$7.75

Retirees	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Subsidy from Actives	Reserve Allocation	Res. Alloc.	School District Contrib.	2011 Total Ret. Cost	2010 Total Ret. Cost	Change in Premiums (\$/%)		Most Recent Enrollment
Non-Medicare Eligible														
Retiree Only	\$345.91	\$37.84	\$6.04	\$7.75	\$397.54	\$0.00	\$0.00			\$397.54	\$527.62	(\$130.08)	-25%	1,818
Retiree & NME SP	1,029.41	37.84	9.08	7.75	1,084.08	0.00	0.00			1,084.08	1,213.72	(129.64)	-11%	204
Retiree & Child(ren)	651.36	37.84	7.86	7.75	704.81	0.00	0.00			704.81	939.28	(234.47)	-25%	11
Retiree & NME SP&CH	1,033.18	37.84	13.08	7.75	1,091.85	0.00	0.00			1,091.85	1,900.80	(808.95)	-43%	2
Retiree & ME SP	478.22	37.84	6.04	7.75	529.85	0.00	0.00			529.85	609.70	(79.85)	-13%	-
Retiree & ME SP & CH	783.67	37.84	7.86	7.75	837.12	0.00	0.00			837.12	1,004.01	(166.89)	-17%	-
Est. Monthly Cost (\$ mil)	\$0.8	\$0.1	\$0.0	\$0.0	\$1.0	\$0.0	\$0.0			\$1.0				2,035
Medicare Eligible														
Retiree Only	\$142.04	\$15.41	Not Offered		\$157.45	\$68.15	\$37.51			\$51.79	\$41.44	\$10.35	25%	4,739
Retiree & NME SP	825.53	15.41	Not Offered		840.94	68.15	37.51			735.29	674.34	60.95	9%	136
Retiree & Child(ren)	447.48	15.41	Not Offered		462.89	68.15	37.51			357.24	421.17	(63.93)	-15%	12
Retiree & NME SP&CH	829.31	15.41	Not Offered		844.72	68.15	37.51			739.06	1,054.07	(315.01)	-30%	3
Retiree & ME SP	269.91	15.41	Not Offered		285.32	68.15	37.51			179.67	170.59	9.08	5%	440
Retiree & ME SP & CH	575.36	15.41	Not Offered		590.77	68.15	37.51			485.12	550.32	(65.20)	-12%	2
Total Monthly Cost	\$0.9				\$1.0	\$0.4	\$0.2			\$0.4				5,332
Total (Est. Monthly)	\$1.8	\$0.1	\$0.0	\$0.0	\$1.9	\$0.4	\$0.2			\$1.4				7,367
Total (Est. Annual)	\$21.1	\$0.9	\$0.2	\$0.2	\$23.4	\$4.4	\$2.4			\$16.6				

Note: The figures presented are preliminary and subject to change.

Option 4 - Baseline with Non-Medicare Retirees Blended Subsidy to Retirees Has Been Removed - Actives



PSE Detailed Financials



CLAIMS & EXPENSES	
Blend ASE & PSE NME	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPPO	Yes
If yes, % to Blend (ASE)	60%
If yes, % to Blend (PSE)	60%
% to Blend Pharmacy (All)	100%

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.00
Retiree NME -12/31	\$2.20	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$1.80	\$2.40	\$1.60	\$0.00
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$0.00	\$0.00	\$0.00

2011 vs. 2010

Actives	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)		Most Recent Enrollment
Health Advantage														
Employee Only	\$345.91	\$37.84	\$6.04	\$0.00	\$389.79	\$57.97	\$24.84	\$1.99	\$131.00	\$173.99	\$152.69	\$21.30	14%	30,042
Employee & Spouse	1,029.41	37.84	9.08	0.00	1,076.33	103.06	44.17	3.53	131.00	794.57	721.45	73.12	10%	1,557
Employee & Child(ren)	651.36	37.84	7.86	0.00	697.06	78.96	33.84	2.71	131.00	450.55	406.05	44.50	11%	5,134
Family	1,033.18	37.84	13.08	0.00	1,084.10	106.73	45.75	3.66	131.00	796.97	723.40	73.57	10%	1,795
Est. Monthly Cost (\$mil)	\$17.2	\$1.5	\$0.3	\$0.0	\$18.9	\$2.5	\$1.1	\$0.1	\$5.0	\$10.2				38,528
Novasys														
Employee Only	\$379.19	\$24.61	\$6.04	\$0.00	\$409.84	\$57.97	\$24.84	\$1.99	\$131.00	\$194.04	\$173.33	\$20.71	12%	2,962
Employee & Spouse	1,096.42	24.61	9.08	0.00	1,130.11	103.06	44.17	3.53	131.00	848.35	\$779.05	69.30	9%	116
Employee & Child(ren)	699.72	24.61	7.86	0.00	732.19	78.96	33.84	2.71	131.00	485.68	\$443.21	42.47	10%	520
Family	1,100.37	24.61	13.08	0.00	1,138.06	106.73	45.75	3.66	131.00	850.93	\$781.20	69.73	9%	182
Est. Monthly Cost (\$mil)	\$1.8	\$0.1	\$0.0	\$0.0	\$1.9	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1				3,780
Novasys HD PPO														
Employee Only	\$241.81	\$24.61	\$6.04	\$0.00	\$272.46	\$57.97	\$24.84	\$1.99	\$131.00	\$56.66	\$48.19	\$8.47	18%	1,855
Employee & Spouse	712.57	24.61	9.08	0.00	746.26	103.06	44.17	3.53	131.00	464.50	429.93	34.57	8%	154
Employee & Child(ren)	452.20	24.61	7.86	0.00	484.67	78.96	33.84	2.71	131.00	238.16	217.98	20.18	9%	241
Family	715.16	24.61	13.08	0.00	752.85	106.73	45.75	3.66	131.00	465.72	430.84	34.88	8%	293
Est. Monthly Cost (\$mil)	\$0.9	\$0.1	\$0.0	\$0.0	\$1.0	\$0.2	\$0.1	\$0.0	\$0.3	\$0.4				2,543
Total (Monthly) (\$ mil)	\$19.9	\$1.6	\$0.3	\$0.0	\$21.8	\$2.9	\$1.3	\$0.1	\$5.9	\$11.7				44,851
Est Annual Cost (\$ mil)	\$238.6	\$19.4	\$3.6	\$0.0	\$261.6	\$35.0	\$15.0	\$1.2	\$70.5	\$139.9				

Note: The figures presented are preliminary and subject to change.

Option 4 - Baseline with Non-Medicare Retirees Blended Subsidy to Retirees Has Been Removed - Retirees



PSE Detailed Financials



CLAIMS & EXPENSES

Blend ASE & PSE NME	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPO	Yes
If yes, % to Blend (ASE)	60%
If yes, % to Blend (PSE)	60%
% to Blend Pharmacy (All)	100%

ALLOCATED RESERVES (in \$millions)

PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$1.20	\$0.80	\$0.00
Retiree NME -12/31	\$2.20	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$1.80	\$2.40	\$1.60	\$0.00
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$0.00	\$0.00	\$0.00

Retirees	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Subsidy from Actives	Reserve Allocation	Res. Alloc.	School District Contrib.	2011 Total Ret. Cost	2010 Total Ret. Cost	Change in Premiums (\$/%)		Most Recent Enrollment
Non-Medicare Eligible														
Retiree Only	\$345.91	\$37.84	\$6.04	\$0.00	\$389.79	\$0.00	\$0.00			\$389.79	\$527.62	(\$137.83)	-26%	1,818
Retiree & NME SP	1,029.41	37.84	9.08	-	1,076.33	0.00	0.00			1,076.33	1,213.72	(137.39)	-11%	204
Retiree & Child(ren)	651.36	37.84	7.86	-	697.06	0.00	0.00			697.06	939.28	(242.22)	-26%	11
Retiree & NME SP&CH	1,033.18	37.84	13.08	-	1,084.10	0.00	0.00			1,084.10	1,900.80	(816.70)	-43%	2
Retiree & ME SP	478.22	37.84	6.04	-	522.10	0.00	0.00			522.10	609.70	(87.60)	-14%	-
Retiree & ME SP & CH	783.67	37.84	7.86	-	829.37	0.00	0.00			829.37	1,004.01	(174.64)	-17%	-
Est. Monthly Cost (\$ mil)	\$0.8	\$0.1	\$0.0	\$0.0	\$0.9	\$0.0	\$0.0			\$0.9				2,035
Medicare Eligible														
Retiree Only	\$142.04	\$15.41	Not Offered		\$157.45	\$0.00	\$37.51			\$119.94	\$41.44	\$78.50	189%	4,739
Retiree & NME SP	825.53	15.41	Not Offered		840.94	-	37.51			803.43	674.34	129.09	19%	136
Retiree & Child(ren)	447.48	15.41	Not Offered		462.89	-	37.51			425.39	421.17	4.22	1%	12
Retiree & NME SP&CH	829.31	15.41	Not Offered		844.72	-	37.51			807.21	1,054.07	(246.86)	-23%	3
Retiree & ME SP	269.91	15.41	Not Offered		285.32	-	37.51			247.81	170.59	77.22	45%	440
Retiree & ME SP & CH	575.36	15.41	Not Offered		590.77	-	37.51			553.26	550.32	2.94	1%	2
Total Monthly Cost	\$0.9				\$1.0	\$0.0	\$0.2			\$0.8				5,332
Total (Est. Monthly)	\$1.8	\$0.1	\$0.0	\$0.0	\$1.9	\$0.0	\$0.2			\$1.7				7,367
Total (Est. Annual)	\$21.1	\$0.9	\$0.2	\$0.0	\$23.2	\$0.0	\$2.4			\$20.8				

Note: The figures presented are preliminary and subject to change.



Option 5 – Actives & Non-Medicare Retirees Blended Subsidy to Retirees Has Been Removed \$18 Million in Reserves Used - Actives

CHEIRON

PSE Detailed Financials

H-scan

CLAIMS & EXPENSES	
Blend ASE & PSE NME	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPPO	Yes
If yes, % to Blend (ASE)	60%
If yes, % to Blend (PSE)	60%
% to Blend Pharmacy (All)	100%

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$6.20	\$3.80	\$2.00
Retiree NME -12/31	\$2.20	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$1.80	\$6.40	\$4.00	\$1.60
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$0.00	\$0.00	\$0.00

2011 vs. 2010

Actives	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)	Most Recent Enrollment
Health Advantage													
Employee Only	\$345.91	\$37.84	\$6.04	\$0.00	\$389.79	\$57.97	\$24.84	\$10.27	\$131.00	\$165.71	\$152.69	\$13.02 9%	30,042
Employee & Spouse	1,029.41	37.84	9.08	0.00	1,076.33	103.06	44.17	18.26	131.00	779.84	721.45	58.39 8%	1,557
Employee & Child(ren)	651.36	37.84	7.86	0.00	697.06	78.96	33.84	13.99	131.00	439.27	406.05	33.22 8%	5,134
Family	1,033.18	37.84	13.08	0.00	1,084.10	106.73	45.75	18.90	131.00	781.73	723.40	58.33 8%	1,795
Est. Monthly Cost (\$mil)	\$17.2	\$1.5	\$0.3	\$0.0	\$18.9	\$2.5	\$1.1	\$0.4	\$5.0	\$9.9			38,528
Novasys													
Employee Only	\$379.19	\$24.61	\$6.04	\$0.00	\$409.84	\$57.97	\$24.84	\$10.27	\$131.00	\$185.76	\$173.33	\$12.43 7%	2,962
Employee & Spouse	1,096.42	24.61	9.08	0.00	1,130.11	103.06	44.17	18.26	131.00	833.62	\$779.05	54.57 7%	116
Employee & Child(ren)	699.72	24.61	7.86	0.00	732.19	78.96	33.84	13.99	131.00	474.40	\$443.21	31.19 7%	520
Family	1,100.37	24.61	13.08	0.00	1,138.06	106.73	45.75	18.90	131.00	835.69	\$781.20	54.49 7%	182
Est. Monthly Cost (\$mil)	\$1.8	\$0.1	\$0.0	\$0.0	\$1.9	\$0.2	\$0.1	\$0.0	\$0.5	\$1.0			3,780
Novasys HD PPO													
Employee Only	\$241.81	\$24.61	\$6.04	\$0.00	\$272.46	\$57.97	\$24.84	\$10.27	\$131.00	\$48.38	\$48.19	\$0.19 0%	1,855
Employee & Spouse	712.57	24.61	9.08	0.00	746.26	103.06	44.17	18.26	131.00	449.77	429.93	19.84 5%	154
Employee & Child(ren)	452.20	24.61	7.86	0.00	484.67	78.96	33.84	13.99	131.00	226.88	217.98	8.90 4%	241
Family	715.16	24.61	13.08	0.00	752.85	106.73	45.75	18.90	131.00	450.48	430.84	19.64 5%	293
Est. Monthly Cost (\$mil)	\$0.9	\$0.1	\$0.0	\$0.0	\$1.0	\$0.2	\$0.1	\$0.0	\$0.3	\$0.3			2,543
Total (Monthly) (\$ mil)	\$19.9	\$1.6	\$0.3	\$0.0	\$21.8	\$2.9	\$1.3	\$0.5	\$5.9	\$11.2			44,851
Est Annual Cost (\$ mil)	\$238.6	\$19.4	\$3.6	\$0.0	\$261.6	\$35.0	\$15.0	\$6.2	\$70.5	\$134.9			

Note: The figures presented are preliminary and subject to change.



Option 5 – Actives & Non-Medicare Retirees Blended Subsidy to Retirees Has Been Removed \$18 Million in Reserves Used - Retirees

CHEIRON

PSE Detailed Financials

H-scan

CLAIMS & EXPENSES

Blend ASE & PSE NME	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPPO	Yes
If yes, % to Blend (ASE)	60%
If yes, % to Blend (PSE)	60%
% to Blend Pharmacy (All)	100%

ALLOCATED RESERVES (in \$millions)

PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$6.20	\$3.80	\$2.00
Retiree NME -12/31	\$2.20	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$1.80	\$6.40	\$4.00	\$1.60
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$0.00	\$0.00	\$0.00

Retirees	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Subsidy from Actives	Reserve Allocation	Res. Alloc.	School District Contrib.	2011 Total Ret. Cost	2010 Total Ret. Cost	Change in Premiums (\$/%)		Most Recent Enrollment
Non-Medicare Eligible														
Retiree Only	\$345.91	\$37.84	\$6.04	\$0.00	\$389.79	\$0.00	\$0.00			\$389.79	\$527.62	(\$137.83)	-26%	1,818
Retiree & NME SP	1,029.41	37.84	9.08	-	1,076.33	0.00	0.00			1,076.33	1,213.72	(137.39)	-11%	204
Retiree & Child(ren)	651.36	37.84	7.86	-	697.06	0.00	0.00			697.06	939.28	(242.22)	-26%	11
Retiree & NME SP&CH	1,033.18	37.84	13.08	-	1,084.10	0.00	0.00			1,084.10	1,900.80	(816.70)	-43%	2
Retiree & ME SP	478.22	37.84	6.04	-	522.10	0.00	0.00			522.10	609.70	(87.60)	-14%	-
Retiree & ME SP & CH	783.67	37.84	7.86	-	829.37	0.00	0.00			829.37	1,004.01	(174.64)	-17%	-
Est. Monthly Cost (\$ mil)	\$0.8	\$0.1	\$0.0	\$0.0	\$0.9	\$0.0	\$0.0			\$0.9				2,035
Medicare Eligible														
Retiree Only	\$142.04	\$15.41	Not Offered		\$157.45	\$0.00	\$100.03			\$57.42	\$41.44	\$15.98	39%	4,739
Retiree & NME SP	825.53	15.41	Not Offered		840.94	-	100.03			740.92	674.34	66.58	10%	136
Retiree & Child(ren)	447.48	15.41	Not Offered		462.89	-	100.03			362.87	421.17	(58.30)	-14%	12
Retiree & NME SP&CH	829.31	15.41	Not Offered		844.72	-	100.03			744.69	1,054.07	(309.38)	-29%	3
Retiree & ME SP	269.91	15.41	Not Offered		285.32	-	100.03			185.30	170.59	14.71	9%	440
Retiree & ME SP & CH	575.36	15.41	Not Offered		590.77	-	100.03			490.75	550.32	(59.57)	-11%	2
Total Monthly Cost	\$0.9				\$1.0	\$0.0	\$0.5			\$0.5				5,332
Total (Est. Monthly)	\$1.8	\$0.1	\$0.0	\$0.0	\$1.9	\$0.0	\$0.5			\$1.4				7,367
Total (Est. Annual)	\$21.1	\$0.9	\$0.2	\$0.0	\$23.2	\$0.0	\$6.4			\$16.8				

Note: The figures presented are preliminary and subject to change.

Option 6 – Actives & Non-Medicare Retirees Blended Subsidy to Retirees Has Been Removed \$18 Million in Reserves Used HD PPO Given 50% Credit - Actives



PSE Detailed Financials



CLAIMS & EXPENSES	
Blend ASE & PSE NME	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPPO	Yes
If yes, % to Blend (ASE)	50%
If yes, % to Blend (PSE)	50%
% to Blend Pharmacy (All)	50%

ALLOCATED RESERVES (in \$millions)				
PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$6.20	\$3.80	\$2.00
Retiree NME -12/31	\$2.20	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$1.80	\$6.40	\$4.00	\$1.60
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$0.00	\$0.00	\$0.00

2011 vs. 2010

Actives	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2011 Total EE Cost	2010 Total EE Cost	Change in Premiums (\$/%)	Most Recent Enrollment
Health Advantage													
Employee Only	\$347.63	\$37.84	\$6.04	\$0.00	\$391.51	\$57.97	\$24.84	\$10.27	\$131.00	\$167.43	\$152.69	\$14.74 10%	30,042
Employee & Spouse	1,034.54	37.84	9.08	0.00	1,081.46	103.06	44.17	18.26	131.00	784.97	721.45	63.52 9%	1,557
Employee & Child(ren)	654.60	37.84	7.86	0.00	700.30	78.96	33.84	13.99	131.00	442.51	406.05	36.46 9%	5,134
Family	1,038.33	37.84	13.08	0.00	1,089.25	106.73	45.75	18.90	131.00	786.88	723.40	63.48 9%	1,795
Est. Monthly Cost (\$mil)	\$17.3	\$1.5	\$0.3	\$0.0	\$19.0	\$2.5	\$1.1	\$0.4	\$5.0	\$9.9			38,528
Novasys													
Employee Only	\$387.69	\$24.61	\$6.04	\$0.00	\$418.34	\$57.97	\$24.84	\$10.27	\$131.00	\$194.26	\$173.33	\$20.93 12%	2,962
Employee & Spouse	1,120.98	24.61	9.08	0.00	1,154.67	103.06	44.17	18.26	131.00	858.18	\$779.05	79.13 10%	116
Employee & Child(ren)	715.39	24.61	7.86	0.00	747.86	78.96	33.84	13.99	131.00	490.07	\$443.21	46.86 11%	520
Family	1,125.02	24.61	13.08	0.00	1,162.71	106.73	45.75	18.90	131.00	860.34	\$781.20	79.14 10%	182
Est. Monthly Cost (\$mil)	\$1.9	\$0.1	\$0.0	\$0.0	\$2.0	\$0.2	\$0.1	\$0.0	\$0.5	\$1.1			3,780
Novasys HD PPO													
Employee Only	\$206.99	\$24.61	\$6.04	\$0.00	\$237.64	\$57.97	\$24.84	\$10.27	\$131.00	\$13.56	\$48.19	(\$34.63) -72%	1,855
Employee & Spouse	609.96	24.61	9.08	0.00	643.65	103.06	44.17	18.26	131.00	347.16	429.93	(82.77) -19%	154
Employee & Child(ren)	387.08	24.61	7.86	0.00	419.55	78.96	33.84	13.99	131.00	161.76	217.98	(56.22) -26%	241
Family	612.18	24.61	13.08	0.00	649.87	106.73	45.75	18.90	131.00	347.50	430.84	(83.34) -19%	293
Est. Monthly Cost (\$mil)	\$0.8	\$0.1	\$0.0	\$0.0	\$0.8	\$0.2	\$0.1	\$0.0	\$0.3	\$0.2			2,543
Total (Monthly) (\$ mil)	\$19.9	\$1.6	\$0.3	\$0.0	\$21.8	\$2.9	\$1.3	\$0.5	\$5.9	\$11.2			44,851
Est Annual Cost (\$ mil)	\$238.6	\$19.4	\$3.6	\$0.0	\$261.6	\$35.0	\$15.0	\$6.2	\$70.5	\$134.9			

Note: The figures presented are preliminary and subject to change.



Option 6 – Actives & Non-Medicare Retirees Blended Subsidy to Retirees Has Been Removed \$18 Million in Reserves Used HD PPO Given 50% Credit - Retirees



PSE Detailed Financials



CLAIMS & EXPENSES

Blend ASE & PSE NME	No
Combine NM Ret with Actives	Yes
Blend Novasys & HDPPPO	Yes
If yes, % to Blend (ASE)	50%
If yes, % to Blend (PSE)	50%
% to Blend Pharmacy (All)	50%

ALLOCATED RESERVES (in \$millions)

PSE -- PYE	2010	2011	2012	2013
Actives - 9/30	\$2.00	\$6.20	\$3.80	\$2.00
Retiree NME -12/31	\$2.20	\$0.00	\$0.00	\$0.00
Retiree ME -12/31	\$1.80	\$6.40	\$4.00	\$1.60
RETIREE SUBSIDY FROM ACTIVES				
PSE - PEPM	\$11.20	\$0.00	\$0.00	\$0.00

Retirees	Medical and Pharmacy	Expenses	Corp Health	Retirement Subsidy	Total Monthly Premium	Subsidy from Actives	Reserve Allocation	Res. Alloc.	School District Contrib.	2011 Total Ret. Cost	2010 Total Ret. Cost	Change in Premiums (\$/%)		Most Recent Enrollment
Non-Medicare Eligible														
Retiree Only	\$347.63	\$37.84	\$6.04	\$0.00	\$391.51	\$0.00	\$0.00			\$391.51	\$527.62	(\$136.11)	-26%	1,818
Retiree & NME SP	1,034.54	37.84	9.08	-	1,081.46	0.00	0.00			1,081.46	1,213.72	(132.26)	-11%	204
Retiree & Child(ren)	654.60	37.84	7.86	-	700.30	0.00	0.00			700.30	939.28	(238.98)	-25%	11
Retiree & NME SP&CH	1,038.33	37.84	13.08	-	1,089.25	0.00	0.00			1,089.25	1,900.80	(811.55)	-43%	2
Retiree & ME SP	479.94	37.84	6.04	-	523.82	0.00	0.00			523.82	609.70	(85.88)	-14%	-
Retiree & ME SP & CH	786.91	37.84	7.86	-	832.61	0.00	0.00			832.61	1,004.01	(171.40)	-17%	-
Est. Monthly Cost (\$ mil)	\$0.9	\$0.1	\$0.0	\$0.0	\$0.9	\$0.0	\$0.0			\$0.9				2,035
Medicare Eligible														
Retiree Only	\$142.04	\$15.41	Not Offered		\$157.45	\$0.00	\$100.03			\$57.42	\$41.44	\$15.98	39%	4,739
Retiree & NME SP	828.94	15.41	Not Offered		844.35	-	100.03			744.32	674.34	69.98	10%	136
Retiree & Child(ren)	449.01	15.41	Not Offered		464.42	-	100.03			364.39	421.17	(56.78)	-13%	12
Retiree & NME SP&CH	832.73	15.41	Not Offered		848.14	-	100.03			748.11	1,054.07	(305.96)	-29%	3
Retiree & ME SP	269.91	15.41	Not Offered		285.32	-	100.03			185.30	170.59	14.71	9%	440
Retiree & ME SP & CH	576.88	15.41	Not Offered		592.29	-	100.03			492.27	550.32	(58.05)	-11%	2
Total Monthly Cost	\$0.9				\$1.0	\$0.0	\$0.5			\$0.5				5,332
Total (Est. Monthly)	\$1.8	\$0.1	\$0.0	\$0.0	\$1.9	\$0.0	\$0.5			\$1.4				7,367
Total (Est. Annual)	\$21.2	\$0.9	\$0.2	\$0.0	\$23.3	\$0.0	\$6.4			\$16.9				

Note: The figures presented are preliminary and subject to change.



Appendix A – 2009-2010 Final Rate Details

Actives	Medical	Prescription Drug	Corp Health	Retirement Subsidy	Total Monthly Premium	Act 1842 Contrib.	Act 1421 Contrib.	Res. Alloc.	School District Contrib.	2010 Total EE Cost	2009 Total EE Cost	Change in Retiree Premiums (\$ / %)		Most Recent Enrollment
Health Advantage														
Employee Only	\$282.49	\$71.70	\$6.04	\$11.20	\$371.43	\$58.93	\$25.42	\$3.39	\$131.00	\$152.69	\$180.36	(\$27.67)	-15%	28,411
Employee & Spouse	788.13	200.04	9.08	11.20	1,008.45	104.77	45.20	6.03	131.00	721.45	770.62	(49.17)	-6%	1,640
Employee & Child(ren)	508.46	129.05	7.86	11.20	656.57	80.27	34.63	4.62	131.00	406.05	434.58	(28.53)	-7%	4,902
Family	790.93	200.74	13.08	11.20	1,015.95	108.50	46.81	6.24	131.00	723.40	773.30	(49.90)	-6%	1,801
Est. Monthly Cost (\$ mil)	\$13.2	\$3.4	\$0.2	\$0.4	\$17.3	\$2.4	\$1.1	\$0.1	\$4.8	\$8.8				36,754
Novasys														
Employee Only	\$303.13	\$71.70	\$6.04	\$11.20	\$392.07	\$58.93	\$25.42	\$3.39	\$131.00	\$173.33	\$185.30	(\$11.97)	-6%	3,740
Employee & Spouse	845.73	200.04	9.08	11.20	1,066.05	104.77	45.20	6.03	131.00	779.05	784.42	(5.37)	-1%	164
Employee & Child(ren)	545.62	129.05	7.86	11.20	693.73	80.27	34.63	4.62	131.00	443.21	443.48	(0.27)	0%	704
Family	848.73	200.74	13.08	11.20	1,073.75	108.50	46.81	6.24	131.00	781.20	787.14	(5.94)	-1%	274
Est. Monthly Cost (\$ mil)	\$1.9	\$0.4	\$0.0	\$0.1	\$2.4	\$0.3	\$0.1	\$0.0	\$0.6	\$1.3				4,882
Novasys HD PPO														
Employee Only	\$200.04	\$49.65	\$6.04	\$11.20	\$266.93	\$58.93	\$25.42	\$3.39	\$131.00	\$48.19	\$99.84	(\$51.65)	-52%	1,493
Employee & Spouse	558.13	138.52	9.08	11.20	716.93	104.77	45.20	6.03	131.00	429.93	545.98	(116.05)	-21%	117
Employee & Child(ren)	360.08	89.36	7.86	11.20	468.50	80.27	34.63	4.62	131.00	217.98	289.66	(71.68)	-25%	191
Family	560.11	139.00	13.08	11.20	723.39	108.50	46.81	6.24	131.00	430.84	547.86	(117.02)	-21%	215
Est. Monthly Cost (\$ mil)	\$0.6	\$0.1	\$0.0	\$0.0	\$0.7	\$0.1	\$0.1	\$0.0	\$0.3	\$0.3				2,016
Total (Monthly) (\$ mil)	\$15.7	\$3.9	\$0.3	\$0.5	\$20.4	\$2.9	\$1.3	\$0.2	\$5.7	\$10.4				43,652
Est Annual Cost (\$ mil)	\$188.1	\$47.3	\$3.6	\$5.9	\$244.9	\$34.8	\$15.0	\$2.0	\$68.6	\$124.5				



Appendix B

Assumptions & Methods

Total Rate Projection Methodology:

The H-Scan model methodology includes several options when projecting rates. First, choose a period for the per person per month (PPPM) experience period. These claims are trended to the projection period, which is the year starting 10/1/2010 for PSE Actives or the year starting 1/1/2011 for PSE Retirees, using the trend factors below (or those input by the user of H-scan). Next, decide which groups to combine for rating. This includes the options of whether or not to blend ASE and PSE, Actives and Non-Medicare Eligible (NME) Retirees, and NovaSys and NovaSys HD. Once the rating groups are set, decide on the appropriate tiering factors, primarily deciding whether or not to use the current tiering factors. The resulting rates will reflect the decisions displayed in the Rating Options. For expenses, we relied on actual negotiated vendor fees plus estimated EBD expenses.

Total Rate Projection Assumptions:

Population Projection: Same as Enrollment on 12/31/2009

Investment return*: 0%

Annual Trend*:

	Health Advantage	NovaSys	HD PPO	ARHealth Retirees	Behavioral Health	Pharmacy	Life	Expenses
non-Medicare:	5.00%	5.00%	5.00%	Use either Medicare or Non-Medicare Factors	0.00%	8.50%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%		0.00%	Not Used	0.00%	0.00%

* Unless otherwise shown in the screen capture. Please see additional analyses on following page.

Historical Benefit Adjustment Factors applied to the PPPM cost for 2011 benefits. These factors were developed by the prior actuary.

ASE non-Medicare 2008:	0.9780	0.9780	0.9193	Use either Medicare or Non-Medicare Factors	1.000	1.000	1.000
PSE non-Medicare 2008:	0.9776	0.9776	0.9168		1.000	1.000	1.000
ASE/PSE non-Medicare 2009:	1.0105	1.0105	1.0105		1.000	1.000	1.000
ASE / PSE Medicare 2008:	1.0650	N/A	N/A	Use either Medicare or Non-Medicare Factors	1.000	1.000	1.000
ASE / PSE Medicare 2009:	1.0650	N/A	N/A		1.000	1.000	1.000

Benefit Ratio:

	Health Advantage or NovaSys	HA or NovaSys Pharmacy	HD PPO	HD PPO Pharmacy	Medicare *	Medicare Pharmacy
PSE	0.8310	0.6900	0.6870	0.5200		Not Applicable

* reflects Medicare Parts A and B.

Expenses:

Per Subscriber Per Month	Actives Health Advantage	Actives NovaSys	Retirees Non-Medicare	Retirees Medicare	Actives & Retirees EBD*
PSE Actual 2009	\$26.09	\$13.92	\$20.14	\$14.96	\$8.97
PSE Actual 2010	\$27.13	\$13.90	\$20.74	\$15.41	\$6.21
PSE Trended 2011	\$27.13	\$13.90	\$20.74	\$15.41	\$6.21

* Assumed to include UAM expenses (both Rx and Medical), EAP, weight management, smoking cessation, and Integrail cost.

Rx Rebates:

The assumed Rx Rebates for PSE are 0%. The actual Rx Rebates based on the 2009 plan year are 2%.

Part D Subsidy:

PSE - Not Applicable

Seasonality:

We have not used seasonality factors, instead we are requiring that the base and projected period be for an annual period.



Appendix B

Assumptions & Methods (continued)

Used for Incurred Claims Development:

Method: We calculated the Paid-to-Date claims by network provider and major rate structure (Actives, non-Medicare retirees v. Medicare retirees) by using the claims triangles for Health Advantage and the individual claims and eligibility databases for NovaSys and InformedRx. To determine the relationship and family tiers, we link each claim to the eligibility database. Also, we use the Plan ID in the eligibility data for each month to determine whether a member should be considered as part of the Active, Non-Medicare Retiree or Medicare Retiree Plan. Finally, we applied the below completion factors to the Paid-to-Date claims to calculate the Incurred claims.

Paid-to-Date Claims:

Health Advantage:	Service dates from January 1, 2009 to December 31, 2009 and process dates from January 1, 2009 to February 28, 2010. We assume November and December 2009 are split in the same relationship between rating tiers as the October 2009 individual claims.
NovaSys:	Service dates from January 1, 2009 to December 31, 2009 and process dates from January 1, 2009 to February 28, 2010.
Pharmacy:	Service dates from February 1, 2009 to January 31, 2009 and process dates from February 1, 2009 to February 28, 2010.

Completion Factors:

Health Advantage:	We used the data from lag reports with service dates from January 1, 2008 to December 31, 2009 and process dates from January 1, 2008 to February 28, 2010 to develop the completion factors.
NovaSys:	We used the individual claims database with service dates from January 1, 2008 to December 31, 2009 and process dates from January 1, 2008 to February 28, 2010 to develop the completion factors. We aggregate the data by network provider and major rate structure (Actives, non-Medicare retirees v. Medicare retirees)
Pharmacy:	We used the individual claims database with service dates from January 1, 2008 to January 31, 2010 and process dates from January 1, 2008 to February 28, 2010 to develop the completion factors. We aggregated the data by network provider and major rate structure (Actives, non-Medicare retirees v. Medicare retirees)

PSE	Health Advantage	NovaSys	HD PPO	Pharmacy	ARHealth Non-Medicare Retirees	Pharmacy non-Medicare Retirees	ARHealth Medicare Retirees	Pharmacy Medicare Retirees
January-09	0.998	0.994	0.998	1.000	0.993	1.000	0.987	Not Applicable
February-09	0.997	0.993	0.998	1.000	0.989	1.000	0.987	Not Applicable
March-09	0.994	0.991	0.994	1.000	0.989	1.000	0.986	Not Applicable
April-09	0.991	0.981	0.994	1.000	0.987	1.000	0.982	Not Applicable
May-09	0.989	0.977	0.992	1.000	0.982	1.000	0.979	Not Applicable
June-09	0.986	0.972	0.984	1.000	0.980	1.000	0.974	Not Applicable
July-09	0.978	0.966	0.959	1.000	0.969	1.000	0.968	Not Applicable
August-09	0.963	0.954	0.948	1.000	0.961	1.000	0.958	Not Applicable
September-09	0.932	0.935	0.929	1.000	0.937	1.000	0.932	Not Applicable
October-09	0.868	0.891	0.888	0.999	0.896	1.000	0.889	Not Applicable
November-09	0.738	0.775	0.732	0.999	0.758	1.000	0.715	Not Applicable
December-09	0.254	0.228	0.147	0.999	0.266	1.000	0.056	Not Applicable

Note that Life and Behavioral health are insured. Therefore, no completion factors are needed. Actual premium was used and trended.

Allocation of Rate Methodology:

Once the total rates are developed, we split the contributions to cover the rates first by removing the costs that have already been legislated to be covered from reserves. We then allow the user to select the methodology for allocating the remainder of the rates. The total actual cost may be somewhat impacted by the desired allocation as participant selection of Plan option and coverage could be impacted.

Rate Allocation Assumptions:

Previously adopted reserves allocations:

	Actives (10/1 - 9/30)	Retirees (1/1-12/31)
PSE 2010:	\$2.00	\$2.20
PSE 2011:	\$1.20	\$1.32
PSE 2012:	\$0.80	\$0.88

PSE *

Legislature:

Act 1842
Act 1421

Interest Income:

Active Employee Subsidy:

* Unless otherwise shown in the screen capture.

Amount in \$ Millions	
\$50	\$50
\$35	\$35
\$15	\$15
\$0	\$0
\$6	\$6



Appendix B

Assumptions & Methods (continued)

Annual Trend*:	<u>Health</u>			<u>ARHealth Retirees</u>	<u>Behavioral</u>			
	<u>Advantage</u>	<u>NovaSys</u>	<u>HD PPO</u>		<u>Health</u>	<u>Pharmacy</u>	<u>Life</u>	<u>Expenses</u>
non-Medicare:	5.00%	5.00%	5.00%	Use either Medicare or Non-Medicare Factors	0.00%	8.50%	0.00%	0.00%
Medicare:	5.00%	5.00%	5.00%		0.00%	Not Used	0.00%	0.00%

* Unless otherwise shown in the screen capture. Below we show the development of the trend assumptions.

Underlying Incurred Claim Trends Adjusted for Demographic and Geographic Changes

- 1 Medical Incurred Active Plan Cost CY09 v. CY08: **2.20%**
(with retirees the trend rate is even lower)
- 2 Rx Incurred All Plan Cost CY09 v. CY08: **4.80%**

Reasons Trends so Low:

- 3 Medical Network Providers (Health Advantage and NovaSys) have been able to keep contractual rates flat.
- 4 Savings on Medical by using Specialty Drugs via the Ascend Specialty Drug Program
- 5 Saving on Pharmacy by implementing programs promoting cost effective drug use
- 6 Effective Large Claim Management

Reasons to Keep Trends Low:

- 7 2010 Contract for Health Advantage have no rate increase - per phone call
- 8 2010 Contract for NovaSys should be more favorable -- they are doing additional analysis
- 9 Believe the generic utilization will improve another 1.3%
- 10 Believe that more options still exist to promote cost effective use of specialty and brand drugs
- 11 Believe that more options still exist to have no trend on large claims

Calculations:

	<u>Annualized</u>	<u>Period</u>		<u>Cost</u>
	<u>Rate</u>	<u>Factor</u>		<u>Weights</u>
Utilization for 21 month:	2.20%	103.9%	Generic*	9% 50%
Price for 12 month:	0.00%	100.0%	Brand*	3% 30%
Price for 9 month:	7.00%	105.2%	Specialty*	15% 20%
	5.21%	109.3%		8.4%
Adjust for no trend on large claims:	4.9%			

* Includes shifts in utilization



Appendix C - Gain / Loss

Reconciliation of 2008-2009 PSE Net Income/(Loss)

⊞ From the September 2009 Financial Report (Year-to-date)

	\$ in Millions
Net Income/(Loss)	\$ 5.2
Reserves Allocated	13.6
Net Income/(Loss) After Reserves	\$ 18.8

⊞ Where did the \$18.8 million come from?

Items that are not assumed to repeat

Active Enrollment Lower than Projected	\$ 1.0
July 2009 Payment from Act 1421	\$ 3.8
Net Income from Retirees	\$ 1.4
Investment Income	\$ 0.9
Other Unanticipated Items	\$ (0.1)
TOTAL	\$ 7.0

Items that have already been reflected in 2009-10 rates

Net Income from Lifestyle Assessment	\$ 6.1
TOTAL	\$ 6.1

Items that will affect 2010-11 rates

Medical experience better than projected	\$ 2.3
Pharmacy experience better than projected	\$ 2.8
Behavioral Health premiums lower than projected	\$ 0.6
TOTAL	\$ 5.7
<i>Percent of 2008-9 expenses</i>	2.2%

GRAND TOTAL	\$ 18.8
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