

**State and Public School Life
And Health Insurance Board
Minutes
April 12, 2011**

The 115th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on April 12, 2011 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, AR 72201.

MEMBERS PRESENT

Renee Mallory
Lloyd Black
William Goff
Shelby McCook
Janis Harrison
Dr. Andrew Kumpuris
Dr. Joseph Thompson
Vance Strange
Bob Alexander
John Kirtley
Coby Logan
Kelly Chaney

MEMBERS ABSENT

Jason Lee, Executive Director, Employee Benefits Division.

OTHERS PRESENT:

George Platt, Leigh Ann Chrouch, Michelle Hazelett, Doug Shackelford, Amy Tustison, Marla Wallace, Latryce Taylor, Amy Redd, Marla Wallace, Lori Eden, Kristie Cox, Aisha Aimin-Velasquez, Pam Lawrence, Sherry Bryant, Sherri Saxby, Cathy Harris, EBD, Rhonda Hill, AR Center for Health Improvement-EBD; David Bridges, Barbara Melugin, Ron Deberry, Kathy Ryan, ABCBS/Health Advantage; Ronda Walthall, Sarah Sanders, AR Highway & Transportation Dept, Joseph Chang, MN Life/Securian; Bryan Meldrum, NovaSys; Steve Singleton, AR Retired Teachers Association; Warren Tayes, Merck; Vicki Fleming, Arkansas Department of Health; Mike Moratz, EES; Shonda Rocke, Connie Bennett, Informed Rx; Frances Bauman, Noro Nordisk; Marc Watts, AR State Employee Association; Mona Neal, AR Public Service Commission; Jill Johnson, UAMS, Evidence-Based Prescription Drug Program (EBRx); Peggy Nabors, AR Education Association; Bridget Johnson, Lindsey Richardson, Pfizer; Dwight Davis, UAMS College of Pharmacy; Dianne Shoptaw, USAble; Sharon Marcum, Lifesynch;

CALL TO ORDER

Meeting was called to order by Janis Harrison, Chair.

APPROVAL OF MINUTES

The request was made by Harrison March 8, 2011 minutes. Mallory made the motion to approve minutes. Kirtley seconded. All were in favor. Minutes approved.

FINANCIALS *by Leigh Ann Chrouch, CFO*

Chrouch presented detailed financial statements for the Arkansas State Employees (ASE) and the Public School Employees (PSE) and the penalties assessed by state agencies and school districts for February 2011.

WELCOME NEW BOARD MEMBERS *by Janis Harrison*

The Board welcomed new members, Kelly Chaney and Coby Logan. Chaney is a Teacher with the Cabot School District and Logan is an Attorney with the Revenue Legal Counsel for DFA.

COMMITTEE REPORTS:

Drug Utilization and Evaluation Committee report *by Jill Johnson*

The Drug Utilization and Evaluation Committee (DUEC) met on April 4th. Jill Johnson presented the recommendations for Diabetic drugs and new drugs for Board consideration.

Kirtley made the motion to accept DUEC recommendations for diabetic drugs with the exception that the (HbA1C \leq 8%) as reflected in the protocol be viewed as an operational threshold and not the clinical target level. Dr. Thompson seconded. All were in favor. Motion carried.

Dr. Thompson made the motion to accept the recommendations for new drugs. McCook seconded. All were in favor. Motion carried.

Kirtley requested the DUEC review some of the external PA criteria for the appropriate step therapy for specialty drugs, and examine the Brand vs. Generic ratings.

Benefits Subcommittee report by Lloyd Black, Committee Vice-Chairman

Black reported the following recommendations for Board consideration resulted from a meeting of the Benefits Subcommittee on April 8, 2011.

1. SB66 (AN ACT TO REQUIRE HEALTH BENEFIT PLANS TO PROVIDE COVERAGE FOR THE TREATMENT OF MORBID OBESITY)

Recommendation: Approve the current Medicare Practices for Bariatric Surgery as the framework for creation of the pilot program, with the Benefits Strategic Planning Workgroup (BSPW) and Employee Benefits Division (EBD) Staff continuing to study and update guidelines in relation to those practices. Implementation of the program guidelines would continue through 2011, with a 2012 Plan Year start.

McCook made the motion to adopt. Black seconded. All were in favor. Motion carried.

2. LIFE INSURANCE

a. AR Public School Employee Group

Recommendation: Remove the requirement that school employees must participate in the health insurance program in order to be eligible for basic life insurance.

b. AR State Employee Group

Recommendation: Adopt the proposed changes to the MN Life Insurance coverage policy for Legislators & Constitutional Officers and State Employees based on \$10,000 increments.

Lee provided an overview of the state and school Life Insurance plans offered by USABLE and Minnesota Life.

McCook made the motion to adopt. Dr. Thompson seconded. All were in favor. Motion carried.

Lee reported on the acts that directly impact EBD's operations. Lee talked about a bill that adjusts how preauthorization are handled by the plan, also **SB66(Act 855)- AN ACT TO REQUIRE HEALTH BENEFIT PLANS TO PROVIDE COVERAGE FOR THE TREATMENT OF MORBID OBESITY; Act 1042 - AN ACT TO REQUIRE HEALTH INSURANCE PLANS TO PROVIDE COVERAGE FOR GASTRIC PACEMAKERS and HB1315 - TO PROVIDE HEALTH INSURANCE COVERAGE FOR AUTISM SPECTRUM DISORDERS.**

No action was required by the Board.

Colberg provided an overview of the preliminary rates for ASE & PSE Plan Year 2012. The Board reviewed benefit options for the Gold, Silver (Tentative), and Bronze (Tentative) plans, rate development and the final rate details.

Colberg said they will provide some additional blending options in the next meeting.

No action was required by the Board.

DIRECTORS REPORT *by Jason Lee*

Lee informed the Board the Silver and Bronze Request for Proposal (RFP) have been released to the Office of State Procurement. The RFP is in the question and answer stage in the procurement process.

No action was required by the Board.

Meeting Adjourned.

AGENDA

State and Public School Life and Health Insurance Board

EBD Board Room - 501 Building - 5th Floor

April 12, 2011 1:00 p.m.

1. Call to Order*Janis Harrison, Chair*
2. Approval of Minutes*Janis Harrison, Chair*
3. Welcome New Board Members*Janis Harrison, Chair*
4. Financials *Leigh Ann Chrouch, Chief Fiscal Officer*
5. DUEC Report.....*Dr. Golden, Committee Chair*
6. Benefits Sub-Committee Report*Lloyd Black, Committee Chair*
 - a. Life Insurance
 - b. 2012 Plan Year Rates *John Colberg, Cheiron*
7. Director's Report*Jason Lee, Executive Director*

Upcoming Meetings

May 10

June 7

July 19 (Final review of 2012 Plan Year Rates)

| Arkansas State Employees (ASE) Financials - January 1, 2011 through February 28, 2011 | | | | |
|---|----------|------------|---------------|-------------------------|
| | ARHealth | Health Adv | NovaSys | Total |
| Actives | | 25,709 | 932 | 26,641 |
| Actives HD | | | 1,018 | 1,018 |
| Retirees | 9,028 | | | 9,028 |
| COBRA | | 119 | 8 | 127 |
| Total | 9,028 | 25,828 | 1,958 | 36,814 |
| Operations as of 02/28/11 | | | | |
| Funding | | | Current Month | Year to Date (2 months) |
| State Contribution | | | \$ 13,603,722 | \$ 27,257,310 |
| Employee Contribution, Rebates, Medicare Subsidy, and ERRP | | | \$ 7,247,765 | \$ 14,484,490 |
| Total Funding | | | \$ 20,851,487 | \$ 41,741,800 |
| Expenses | | | | |
| Medical Expenses | | | | |
| Claims Expense | | | \$ 10,585,735 | \$ 21,898,860 |
| Claims IBNR | | | \$ - | \$ - |
| Medical Admin Fees | | | \$ 915,710 | \$ 1,834,063 |
| Refunds | | | \$ 2,750 | \$ 10,988 |
| Behavioral Health | | | \$ 329,176 | \$ 659,361 |
| Life Insurance | | | \$ 101,656 | \$ 203,748 |
| Pharmacy Expenses | | | | |
| RX Claims | | | \$ 5,558,256 | \$ 10,925,907 |
| RX IBNR | | | \$ - | \$ - |
| RX Admin | | | \$ 75,986 | \$ 150,368 |
| Plan Administration | | | \$ 195,164 | \$ 393,070 |
| Total Expenses | | | \$ 17,764,433 | \$ 36,076,366 |
| Net Income/(Loss) | | | \$ 3,087,054 | \$ 5,665,434 |
| Balance Sheet as of 02/28/11 | | | | |
| Assets | | | | |
| Bank Account | | | \$ | 16,726,258 |
| State Treasury | | | \$ | 92,371,630 |
| Receivable from Cafeteria Plan | | | \$ | 8,767,665 |
| Receivable from PSE | | | \$ | - |
| Receivable from Provider | | | \$ | 507,087 |
| Accounts Receivable | | | \$ | 159,655 |
| Total Assets | | | \$ | 118,532,295 |
| Liabilities | | | | |
| Accounts Payable | | | \$ | 380,515 |
| Deferred Revenues | | | \$ | 4,244,101 |
| Due to Cafeteria | | | \$ | - |
| Due to PSE | | | \$ | - |
| Health IBNR | | | \$ | 21,570,000 |
| RX IBNR | | | \$ | 2,680,000 |
| Total Liabilities | | | \$ | 28,874,617 |
| Net Assets | | | \$ | 89,657,678 |
| Less Reserves Allocated: | | | | |
| Catastrophic Reserve | | | \$ | (8,900,000) |
| Pharmacy Reward Program (2010-\$1,500,000) | | | \$ | (1,500,000) |
| Net Assets Available | | | \$ | 79,257,678 |

ASE Cafeteria Plan Financials 2011- January 1, 2011 through February 28, 2011

Cafeteria Plan Operations as of 02/28/11

| Funding | Current Month | Year to Date (2 months) |
|--|--------------------------|------------------------------------|
| FICA Savings | \$ 358,230 | \$ 711,970 |
| Interest, Penalties, Tax Set Off | \$ 10,874 | \$ 11,970 |
| Total Funding | \$ 369,104 | \$ 723,940 |
| Expenses | | |
| Plan Administration | \$ 1,077 | \$ 14,699 |
| Forfeited Benefits (Annual Expense) | \$ - | \$ - |
| FICA Savings Transfer (Annual Expense) | \$ - | \$ - |
| Total Expenses | \$ 1,077 | \$ 14,699 |
| Net Income/(Loss) | \$ 368,027 | \$ 709,240 |

Balance Sheet as of 02/28/11

| | |
|--|----------------------|
| Assets | |
| State Cafeteria (Flexible Benefits) | \$ 877,969 |
| Admin Acct (FICA Savings) | \$ 219,970 |
| State Treasury | \$ 10,844,930 |
| Due from Health Plan | \$ - |
| Due from State Employee Fund | \$ - |
| Accounts Receivable | \$ 13,868 |
| Total Assets | \$ 11,956,737 |
| Liabilities | |
| Accounts Payable | \$ 250,694 |
| Due to Health Plan (FICA Savings Annual) | \$ 16 |
| Due to Health Plan (Forfeited Benefits Annual) | \$ 8,767,649 |
| Total Liabilities | \$ 9,018,359 |
| Net Assets | \$ 2,938,378 |

| Public School Employees (PSE) Financials - October 1, 2010 through February 28, 2011 | | | | |
|--|----------|------------|----------------------|--------------------------------|
| | ARHealth | Health Adv | NovaSys | Total |
| Actives | | 37,484 | 2,940 | 40,424 |
| Actives HD | | | 4,702 | 4,702 |
| Retirees | 7,946 | | | 7,946 |
| COBRA | | 807 | 90 | 897 |
| Total | 7,946 | 38,291 | 7,732 | 53,969 |
| Operations as of 02/28/11 | | | | |
| Funding | | | Current Month | Year to Date (5 months) |
| District Contribution | | | \$ 5,915,567 | \$ 29,540,893 |
| Employee Contribution, Rebates, and ERRP | | | \$ 12,857,396 | \$ 65,619,619 |
| Dept of Ed \$35,000,000 & \$15,000,000 | | | \$ 3,181,818 | \$ 23,409,091 |
| Total Funding | | | \$ 21,954,781 | \$ 118,569,602 |
| Expenses | | | | |
| Medical Expenses: | | | | |
| Claims Expense | | | \$ 12,905,664 | \$ 73,685,526 |
| Claims IBNR | | | \$ - | \$ - |
| Medical Admin Fees | | | \$ 1,339,335 | \$ 6,774,361 |
| Refunds | | | \$ 2,497 | \$ (7,825) |
| Behavioral Health | | | \$ 341,345 | \$ 2,013,312 |
| Pharmacy Expenses: | | | | |
| RX Claims | | | \$ 4,720,147 | \$ 22,644,229 |
| RX IBNR | | | \$ - | \$ - |
| RX Admin | | | \$ 68,759 | \$ 332,895 |
| Plan Administration | | | \$ 244,170 | \$ 1,327,969 |
| Total Expenses | | | \$ 19,621,917 | \$ 106,770,466 |
| Net Income/(Loss) | | | \$ 2,332,864 | \$ 11,799,136 |
| Reserve Activity: | | | | |
| Allocation for Active Premiums for Plan Yr 10/01/10-12/31/11 | | | \$ 789,333 | \$ 3,946,667 |
| Retiree Premiums for Plan Year 01/01/11-12/31/11 | | | \$ 63,333 | \$ 126,667 |
| Net Income/(Loss) After Reserves | | | \$ 3,185,531 | \$ 15,872,469 |
| Balance Sheet as of 02/28/11 | | | | |
| Assets | | | | |
| Bank Account | | | \$ | 16,790,520 |
| State Treasury | | | \$ | 64,798,944 |
| Receivable from Provider | | | \$ | 471,138 |
| Accounts Receivable | | | \$ | 329,565 |
| Due from ASE | | | \$ | - |
| Total Assets | | | \$ | 82,390,167 |
| Liabilities | | | | |
| Accounts Payable | | | \$ | 422,929 |
| Due to ASE | | | \$ | - |
| Deferred Revenues | | | \$ | 1,405,214 |
| Health IBNR | | | \$ | 25,500,000 |
| RX IBNR | | | \$ | 2,340,000 |
| Total Liabilities | | | \$ | 29,668,143 |
| Net Assets | | | \$ | 52,722,024 |
| Less Reserves Allocated: | | | | |
| Active Premiums for Plan Year 10/01/10-12/31/11 (\$11,840,000) | | | \$ | (7,893,333) |
| Retiree Premiums for Plan Year 01/01/11-12/31/11 (\$760,000) | | | \$ | (633,333) |
| Active Premiums for Plan Years 1/01/12-12/31/13 (\$7,344,000 + \$3,296,000 = \$10,640,000) | | | \$ | (10,640,000) |
| Retiree Premiums for Plan Years 01/01/12-12/31/13 (\$456,000 + \$304,000 = \$760,000) | | | \$ | (760,000) |
| Catastrophic Reserve | | | \$ | (10,000,000) |
| Pharmacy Reward Program (2010-\$1,500,000) | | | \$ | (1,500,000) |
| Net Assets Available | | | \$ | 21,295,357 |

ASE Cafeteria Plan Financials 2010- January 1, 2010 through February 28, 2010

Cafeteria Plan Operations as of 02/28/10

| Funding | Current Month | Year to Date (2 months) |
|--|----------------------|--------------------------------|
| FICA Savings | \$ 348,367 | \$ 704,352 |
| Interest, Penalties, Tax Set Off | \$ 10,505 | \$ 13,539 |
| Total Funding | \$ 358,872 | \$ 717,891 |
| Expenses | | |
| Plan Administration | \$ 29,004 | \$ 29,906 |
| Forfeited Benefits (Annual Expense) | \$ - | \$ - |
| FICA Savings Transfer (Annual Expense) | \$ - | \$ - |
| Total Expenses | \$ 29,004 | \$ 29,906 |
| Net Income/(Loss) | \$ 329,868 | \$ 687,985 |

Balance Sheet as of 02/28/10

| | |
|--|---------------------|
| Assets | |
| State Cafeteria (Flexible Benefits) | \$ 871,585 |
| Admin Acct (FICA Savings) | \$ 439,890 |
| State Treasury | \$ 6,411,045 |
| Due from Health Plan | \$ - |
| Due from State Employee Fund | \$ - |
| Accounts Receivable | \$ 16,053 |
| Total Assets | \$ 7,738,572 |
| Liabilities | |
| Accounts Payable | \$ 268,733 |
| Due to Health Plan (FICA Savings Annual) | \$ 60 |
| Due to Health Plan (Forfeited Benefits Annual) | \$ 2,470,012 |
| Total Liabilities | \$ 2,738,806 |
| Net Assets | \$ 4,999,767 |

SCHOOL DISTRICT PENALTIES ASSESSED FOR FEBRUARY 2011

Act 1009 of 2007 (§21-5-415) states the division shall impose a penalty

| District Name | Description of Violation | Penalty Assessed |
|------------------------|--|-------------------------|
| Hughes School District | February 2011 Historical Billing Report and payment not received by February 28, 2011 | \$100 |

STATE AGENCY PENALTIES ASSESSED FOR FEBRUARY 2011

| Agency Name | Description of Violation | Penalty Assessed | |
|---|--|-------------------------|------|
| Arkansas Board of Licensure for Professional Engineers and Professional Surveyors | State contribution not received by February 28, 2011 | \$100 | PAID |
| Arkansas Department of Veteran Affairs | State contribution not received by February 28, 2011 | \$280 | PAID |

Payments due by April 30, 2011

\$480

SCHOOL DISTRICT PENALTIES ASSESSED FOR JANUARY 2011

Act 1009 of 2007 (§21-5-415) states the division shall impose a penalty

| District Name | Description of Violation | Penalty Assessed | |
|----------------------------------|---|-------------------------|------|
| Cleveland County School District | January 2011 Historical Billing Report and payment not received by January 31, 2011 | \$156 | |
| Ocabs Charter School | January 2011 Historical Billing Report not received by January 31, 2011 | \$100 | |
| Earle School District | January 2011 Historical Billing Report and payment not received by January 31, 2011 | \$154 | PAID |
| Haas Hall School District | January 2011 Historical Billing Report and payment not received by January 31, 2011 | \$100 | |

STATE AGENCY PENALTIES ASSESSED FOR JANUARY 2011

| Agency Name | Description of Violation | Penalty Assessed | |
|---|---|-------------------------|------|
| Arkansas Abstractor's Board of Examiners | State contribution not received by January 31, 2011 | \$100 | PAID |
| Arkansas Minority Health Commission | State contribution not received by January 31, 2011 | \$100 | PAID |
| Southeast Arkansas College | State contribution not received by January 31, 2011 | \$210 | PAID |
| Arkansas Board of Licensure for Professional Engineers and Professional Surveyors | State contribution not received by January 31, 2011 | \$100 | PAID |

Payments due by March 31, 2011

\$1,020

SCHOOL DISTRICT PENALTIES ASSESSED FOR DECEMBER 2010

Act 1009 of 2007 (§21-5-415) states the division shall impose a penalty

| District Name | Description of Violation | Penalty Assessed | |
|-------------------------------------|---|-------------------------|------|
| Cleveland County School District | December 2010 Historical Billing Report and payment not received by December 31, 2010 | \$156 | |
| Helena-West Helena School District | December 2010 Historical Billing Report not received by December 31, 2010 | \$630 | |
| Western Yell County School District | December 2010 Historical Billing Report and payment not received by December 31, 2010 | \$106 | PAID |

STATE AGENCY PENALTIES ASSESSED FOR DECEMBER 2010

| Agency Name | Description of Violation | Penalty Assessed | |
|--|--|-------------------------|------|
| Arkansas Abstractor's Board of Examiners | State contribution not received by December 31, 2010 | \$100 | PAID |
| Arkansas Fair Housing Commission | State contribution not received by December 31, 2010 | \$100 | PAID |
| Arkansas Minority Health Commission | State contribution not received by December 31, 2010 | \$100 | PAID |

Payments due by February 28, 2011

\$1,192

SCHOOL DISTRICT PENALTIES ASSESSED FOR NOVEMBER 2010

Act 1009 of 2007 (§21-5-415) states the division shall impose a penalty

| District Name | Description of Violation | Penalty Assessed |
|---|--|-------------------------|
| Dreamland Academy | November 2010 Historical Billing Report and payment not received by November 30, 2010 | \$100 PAID |
| Jacksonville Lighthouse Charter School | November 2010 Historical Billing Report and payment not received by November 30, 2010 | \$100 PAID |

STATE AGENCY PENALTIES ASSESSED FOR NOVEMBER 2010

| Agency Name | Description of Violation | Penalty Assessed |
|---|--|-------------------------|
| Arkansas Board of Licensure for Professional Engineers and Professional Surveyors | State contribution not received by November 30, 2010 | \$100 PAID |
| Northwest Technical Institute | State contribution not received by November 30, 2010 | \$124 PAID |

Payments due by January 31, 2011

\$424

The Drug Utilization and Evaluation Committee (DUEC)

The following recommendations for the Board consideration resulted from a meeting of the DUEC on April 4, 2011.

1. TZDs (rosiglitazone, pioglitazone), (Avandia, Avandaryl, Avandamet, Actos, Actoplus Met)

- Restrict the access to rosiglitazone. Stop covering rosiglitazone (Avandia, Avandamet, and Avandaryl) effective July 1, 2011. (This item approved by the Board in previous meeting.)
- No pioglitazone (Actos) without metformin (at a near maximum daily dose-2000mg daily) or a contraindication to metformin.

Proposed step therapy guidelines for pioglitazone (Actos and Actos-containing products including pioglitazone-glimepiride, pioglitazone-metformin, and future combinations):

STEP THERAPY:

1. Patients taking metformin for the past 4 of 5 months and taking a sulfonylurea for the past 4 of 5 months may have pioglitazone. If the 80% adherence rate is not maintained, pioglitazone access will be denied at the point of sale.
2. Patients must adhere to at least 4 of the previous 5 months of metformin + sulfonylurea and fail to meet HbA1C goal prior to gaining access to pioglitazone-metformin (Actoplus Met) combination therapy.
3. Patients must adhere to at least 4 months of metformin monotherapy and an additional 4 months of metformin + sulfonylurea and/or fail to meet HbA1C goal prior to gaining access to pioglitazone-glimepiride (Duetact) combination.

PRIOR AUTHORIZATION

Patients with a contraindication to metformin and having a sulfonylurea fill for the previous 4 of 5 months may have pioglitazone. The 80% adherence rate must be maintained in order to maintain access to pioglitazone.

Patients with a contraindication to metformin and to sulfonylurea may have pioglitazone but will require a PA. No pioglitazone monotherapy.

This proposal allows access to pioglitazone prior to requiring basal insulin as the guidelines suggest. Use of pioglitazone is considered a less well-validated therapy than basal insulin.

Metformin must be taken at the maximally tolerated dose. Metformin use without titrating the dose slowly upwards is known to cause gastrointestinal side effects. Metformin 500mg twice daily is a starting dose. Many will require 1000mg twice daily.

2. Pramlintide (Symlin, SymlinPen; both injectables)

- Exclude New Users

It is the strong opinion of the DUEC that everyone should start with metformin. Current user will be able to continue using the drug if they have hemoglobin A1C under 8% and they are a continuous user (4 out of 5 previous months on a continuing basis).

3. Exenatide (Byetta) Liraglutide (Victoza) (both injectables)

Proposed criteria for exenatide (Byetta) and liraglutide (Victoza):

1. Deny if any insulin claim in the past 30 days.
2. Continue no monotherapy access for exenatide or liraglutide.
3. PA all prescriptions
4. No therapeutic duplication. Do not allow concomitant exenatide and liraglutide use.

Initial PA, effective for 6 months:

- require a current metformin fill for 120 of the past 150 days(4 out of 5 months) at the maximum or near-maximum dose (2000 mg daily), failure to reach goal A1C, AND
- Require, in patients who cannot tolerate metformin, the use of a sulfonylurea for 120 days and then the use of pioglitazone, unless contraindicated due to HF, edema, or fracture risk.
- Pioglitazone must be used for 120 days without achieving HbA1C goal before gaining access to exenatide or liraglutide.

Subsequent PA, effective for 1 year: (After patients have already been on Byetta or Victoza)

Allow access to exenatide or liraglutide if patient maintained metformin days supply of 150 of past 180 days unless contraindicated. If metformin is contraindicated, allow access to exenatide or liraglutide if patient maintained sulfonylurea and pioglitazone days supply of 150 of past 180 days. If either sulfonylurea or pioglitazone is contraindicated, require insulin use for a day's supply of 150 of past 180 days without achieving the goal prior to access to the GLP-2 analogs.

- ❖ Existing patients on either medication can continue without PA if they are well controlled (HbA1C $\leq 8\%$) and compliant 4 out of the 5 past months on a rolling basis.

4. Sitagliptin (Januvia, Janumet), Saxagliptin (Onglyza, and Kombiglyze XR)

Proposed criteria for sitagliptin (Januvia) and saxagliptin (Onglyza) or any sitagliptin or saxagliptin-containing product:

1. Deny if any insulin claim in past 30 days.
2. Continue no monotherapy access for sitagliptin or saxagliptin.

Combination products require monotherapy prior to access (ie; Must fail metformin monotherapy as well as other combo therapies prior to getting this nonvalidated therapy.)

3. PA all prescriptions, criteria:

Require a current metformin fill for 120 of the past 150 days at the maximum or near-maximum dose, failure to reach goal A1C, AND then

- Require the use of concomitant sulfonylurea (unless contraindicated) and then 120 of the past 150 days of pioglitazone in patients who have not reached their HbA1C goal with metformin monotherapy, unless pioglitazone is contraindicated due to HF, edema, or fracture risk.
- Prior to access to Kombiglyze (saxagliptin + metformin), metformin + sulfonylurea + pioglitazone and without saxagliptin, must fail to achieve goal HbA1C.

4. No therapeutic duplication with sita- or saxa-gliptin. (Deny the drug if the other is filled in the previous 30 days.)

Metformin must be titrated slowly upward. Metformin 500mg twice daily is the initial dose. Patients should increase to at least 1000mg twice daily before determining failure. Metformin must have an adherence rate of 4 of the past 5 months prior to gaining access to sitagliptin or saxagliptin.

5. NEW DRUGS

Drug Name

Tier Status

CYCLOSET TAB 0.8MG

Exclude

Cycloset, an ergot derivative, is indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus. Cycloset should not be used as a treatment of type 1 diabetes or diabetic ketoacidosis. There is limited efficacy data for the use of Cycloset in combination use with thiazolidinediones, and efficacy has not been confirmed in combination with insulin.

ELLA TAB 30MG

Exclude

ELLA can be used up to 5 days after unprotected intercourse or a known or suspected contraceptive failure. In comparison, PLAN B and PLAN B ONE-STEP should be used within 3 days per FDA

XGEVA INJ

Not Applicable

For the treatment of osteoporosis in postmenopausal women at high risk for fracture and For the prevention of skeletal-related events in patients with bone metastases from solid tumors

CARBAGLU TAB 200MG

T3/wPA Specialty

CARBAGLU (carglumic acid) is a Carbamoyl Phosphate Synthetase 1 (CPS 1) activator indicated as: (1) adjunctive therapy for the treatment of acute hyperammonemia due to the deficiency of the hepatic enzyme N-acetylglutamate synthase (NAGS) and (2) maintenance therapy for the treatment of chronic hyperammonemia due to the deficiency of the hepatic enzyme N-acetylglutamate synthase (NAGS).

BROMDAY Sol 0.09%

T3

BEYAZ TAB

Exclude

Beyaz (bee-YAZ) is a new version of Yaz with folate. Recommend using a generic OC plus a separate multivitamin or folic

PEDIADERM TA KIT

Exclude

PEDIADERM AF KIT COMPLETE

Exclude

ATELVIA TAB

T3

EGRIFTA INJ 1MG

Exclude

| <u>Drug Name</u> | <u>Tier Status</u> |
|---|---------------------------|
| KRYSTEXXA INJ | N/A Medical |
| TEFLARO INJ 600MG, 400mg Acute bacterial skin and skin structure infection (SSSI). Community acquired bacterial pneumonia (CABP) including MRSA. | Exclude |
| FIRST DUKES SUS MOUTHWSH Treatment of pain/inflammation associated with mucositis caused by radiation therapy or chemotherapy, aphthous and other oral ulcers, and mouth pain. | T3 |
| FIRST-MARYS SUS MOUTHWSH Treatment of pain/inflammation associated with mucositis caused by radiation therapy or chemotherapy, aphthous and other oral ulcers, and mouth pain. | T3 |
| LATUDA TAB 40, 80MG 40-80mg daily for the treatment of schizophrenia in adults. | Exclude |
| NEXICLON XR SUS 0.09/ML Dosage: 0.17mg daily at bedtime for hypertension. Max dose is 0.52mg/day. | Exclude |
| NEXICLON XR TAB 0.17MG Dosage: 0.17mg daily at bedtime for hypertension. Max dose is 0.52mg/day. | Exclude |
| NUEDEXTA CAP 20-10MG One 20/10mg tablet daily for 7 days then increase to one tablet every 12 hours for the treatment of pseudobulbar affect (PBA). PA criteria: <ol style="list-style-type: none"> 1. Dx of amyotrophic lateral sclerosis (ALS) or multiple sclerosis (MS), and 2. Dx of clinically significant Pseudobulbar Affect (PBA) (a baseline score ≥ 13 on the Center for Neurologic Studies-Lability Scale [CNS-LS]). | T3w/PA |
| ZOLPIMIST SPR 5MG 10mg (2 sprays) PO immediately before bedtime. | Exclude |
| MOXEZA SOL 0.5% One drop in each affected eye BID for 7 days for bacterial conjunctivitis. | T3 |
| OFIRMEV INJ 10MG/ML Intravenous acetaminophen (Ofirmev) approved for the treatment of pain/fever in adults and children over the age of 2 years. Adults, Adolescents 50kg or greater: 1000mg IV every six hours or 650mg IV every 4 hours as needed. | Exclude |

| <u>Drug Name</u> | <u>Tier Status</u> |
|---|---------------------------|
| SAFYRAL TAB Indicated for pregnancy prevention and to raise folate levels in women who want to use an oral contraceptive for contraception. One tablet PO daily following in order directed on package. | Exclude |
| XYNTHA INJ 3000UNIT Hemophilia | Tabled |
| AMTURNIDE150 TAB -5-12.5 Hypertension | T3 with ARB ST |
| AMTURNIDE300 TAB -10-12.5 Hypertension | T3 with ARB ST |
| AMTURNIDE300 TAB -10-25MG Hypertension | T3 with ARB ST |
| AMTURNIDE300 TAB -5-12.5 Hypertension | T3 with ARB ST |
| AMTURNIDE300 TAB -5-25MG Hypertension | T3 with ARB ST |
| FORTESTA GEL 10MG/ACT Hypogonadism PA Criteria: 1. Dx of testosterone deficiency in males OR hypogonadism or hypogonadotropic hypogonadism in males OR delayed puberty in males. | T3 w/PA |
| NATROBA SUS 0.9% Head Lice PA Criteria: 1. Requires 1 course of treatment of permethrins in the past 30 days. Allow no more than 2 fills per quarter. | T2 w/PA |
| PROHIST CD LIQ Antitussive/Decongestant/Antihistamine | Exclude |
| PROHIST CF LIQ Antitussive/Antihistamine | Exclude |

| <u>Drug Name</u> | <u>Tier Status</u> |
|---|---------------------------|
| PROIHIST LQ LIQ Antitussive/Low sedating antihistamine | Exclude |
| ALUVEA CRE 39% Dystrophic nail removal, mild kerosis, keratolytic | Exclude |
| ALUVEA CRE 43% Dystrophic nail removal, mild kerosis, keratolytic | Exclude |
| EDARBI 40MG ARB-hypertension | T3 ARB ST |
| EDARBI 80MG TAB ARB-Hypertension | T3 ARB ST |
| KAPVAY 0.1 mg tablet | Exclude |
| Axiron Soln Hypogonadism PA Criteria: Same as Androgel, Testim and Androderm | T2 w/PA |
| Benlysta inj For tx of active, autoantibody-positive, systemic lupus erythematosus (SLE) in combination with standard therapy | N/A Medical |

State and Public School Life and Health Insurance Board Benefits Sub-Committee Report

Meeting Date: April 8, 2011

The following recommendations for Board consideration resulted from a meeting of the Benefits Subcommittee on April 8, 2011.

1. SB66 (AN ACT TO REQUIRE HEALTH BENEFIT PLANS TO PROVIDE COVERAGE FOR THE TREATMENT OF MORBID OBESITY)

Recommendation: Approve the current Medicare Practices for Bariatric Surgery as the framework for creation of the pilot program, with the Benefits Strategic Planning Workgroup (BSPW) and Employee Benefits Division (EBD) Staff continuing to study and update guidelines in relation to those practices. Implementation of the program guidelines would continue through 2011, with a 2012 Plan Year start.

2. LIFE INSURANCE

a. AR Public School Employee Group

Recommendation: Remove the requirement that school employees must participate in the health insurance program in order to be eligible for life insurance.

The Benefits subcommittee instructed the BSPW to work with USABLE and review the age ban.

b. AR State Employee Group

Recommendation: Adopt the proposed changes to the MN Life Insurance coverage policy for Legislators & Constitutional Officers and State Employees based on \$10,000 increments.

Please see the following two attachments for an illustration of the ASE & PSE group life benefit structure

3. OTHER TOPICS DISCUSSED IN THE MEETING:

John Colberg, Cheiron – 2012 Plan Year Rating

Jason Lee, EBD Director – Legislative Update

Arkansas Public Schools Employee Group

Current Plan Overview & Proposed Plan Design Changes

Current Plan Design

■ Basic Life

- \$5,000 Life/AD&D Benefit

■ Supplemental Life

- Currently available in \$10K increments from \$10K-\$70K based on Classification By Basic Annual Earnings. (ex. School Employee making \$30,001 and above receives \$70K of Supplemental Life/AD&D)
- Can be purchased with or without Health Insurance (change implemented 10/1/2010)

■ Dependent Life

- Spouse Coverage of \$2,500
- Child(ren) Coverage
 - \$2,500 ages 3 and up
 - \$1,000 ages 14 day to age 3

■ Retiree Life

- Eligible Retirees may continue up to 50% of the coverage carried prior to retirement for Supplemental Life. Basic Life of \$4,000.

Proposed Plan Design

■ **Employee Supplemental Life/AD&D**

- ❑ Change benefit to increments of \$10,000 to \$250,000
- ❑ Not to exceed 5 x salary
- ❑ No reductions due to age for active employees
- ❑ Guaranteed issue amount of \$80,000 for newly hired employees
- ❑ Offer supplemental coverage to employees not currently on health plan
- ❑ Increases employee choice

■ **Basic Life and Dependent Life**

- ❑ All current benefits remain the same

■ **Retiree Life**

- ❑ Current retirees retain existing supplemental life amounts
- ❑ Future retiree benefits would reduce 50% at retirement not to exceed \$35,000
- ❑ Retiree benefits reduce an additional 50% at age 70
- ❑ Supplemental AD&D benefits terminate at retirement (same as current)

Transition to New Plan for Existing Employees

- New hires to the plan would have a Guaranteed Issue amount (GI) of \$80,000
- Employees would be eligible to move current benefit to new plan with no evidence of insurability (EOI) requirement
- Employees currently covered have option to increase coverage one increment of \$10,000 with no EOI
- Existing employees would have an annual option to increase coverage by one increment of \$10,000 with no EOI
- Increases greater than one increment would require EOI

Supplemental Rates and Premium

- New Supplemental plan will have rates based on age
- This will attract younger employees into the plan
- Influx of new (younger) employees provides a better spread of risk and keeps the plan financially viable over time
- Experience for current plan and rates indicates a required increase of approximately 10% for supplemental and dependent life 1/1/2012
- If the proposed plan is implemented the projected rate increase may be negated

EBD State of Arkansas
Group Life Benefit Comparison Summary

| | Legislators & Constitutional Officers | State Employee | | | | | | | | | | | | |
|--|--|--|------|-------------------|----------|-------------------|----------|---|-----|------|-------------------|---------|-------------------|---------|
| <div>Basic</div> <div>Member</div> | <div><div>\$10,000 non-contributory (Employer paid)</div><div>+ <u>\$30,000 (Member paid at flat rate)</u></div><div><div>\$40,000</div></div><div><div>Reduction:</div><div>\$10,000 non-contributory (Employer paid)</div><div>Age 65 reduce to \$5,000</div><div>Age 70 reduce to \$4,000</div><div>\$30,000 contributory (Member paid)</div><div>Age 65 reduce 50%</div><div>Age 70 reduce 50% of already 50% (1/4)</div><div>AD&D stops at age 75</div></div></div> | <div><div>\$10,000</div><div>(Employer paid)</div><div><div>Reduction:</div><div>Age 65 reduce to \$5,000</div><div>Age 70 reduce to \$4,000</div><div>AD&D stops at age 75</div></div></div> | | | | | | | | | | | | |
| <div>Supplemental</div> <div>(Member paid)</div> <div>Member</div> | <div><div>Up to \$50,000 maximum</div><div>(\$1,000 Increments)</div><div><div>Reduction:</div><div>Age 65 = 50%</div><div>Age 70 = 25%</div><div>Age 70 Basic + Supplemental <\$20,000.</div></div></div> | <div><div>Up to \$250,000 maximum</div><div>(\$1,000 Increments)</div><div><div>Reduction:</div><div>Age 65 = 50%</div><div>Age 70 = 25%</div><div>Age 70 Basic + Supplemental <\$20,000.</div></div></div> | | | | | | | | | | | | |
| Spouse | <div><div><div>• 1 or 2 units</div><div>• \$20,000 unit</div><div>• GI \$20,000 (1 unit)</div></div></div> | <div><div><div>• 1, 2, 3, 4 or 5 units</div><div>• \$4,000 unit</div><div>• GI \$4,000 (1 unit)</div></div></div> | | | | | | | | | | | | |
| Child | <div><div><div>• 1 or 2 units</div><table><tr><td>Age</td><td>Unit</td></tr><tr><td>14 days < 3 years</td><td>\$10,000</td></tr><tr><td>3 years and older</td><td>\$20,000</td></tr></table><div>• GI \$20,000</div></div></div> | Age | Unit | 14 days < 3 years | \$10,000 | 3 years and older | \$20,000 | <div><div><div>• 1, 2, 3, 4 or 5 units</div><table><tr><td>Age</td><td>Unit</td></tr><tr><td>14 days < 3 years</td><td>\$2,000</td></tr><tr><td>3 years and older</td><td>\$4,000</td></tr></table><div>• GI \$4,000</div></div></div> | Age | Unit | 14 days < 3 years | \$2,000 | 3 years and older | \$4,000 |
| Age | Unit | | | | | | | | | | | | | |
| 14 days < 3 years | \$10,000 | | | | | | | | | | | | | |
| 3 years and older | \$20,000 | | | | | | | | | | | | | |
| Age | Unit | | | | | | | | | | | | | |
| 14 days < 3 years | \$2,000 | | | | | | | | | | | | | |
| 3 years and older | \$4,000 | | | | | | | | | | | | | |

Exhibit 1
EBD State of Arkansas ASE Group Life
Member Basic Life

| | Legislators & Constitutional Officers | State Employee |
|-----------------------------------|---|---|
| Basic <i>Member</i> | <p>\$10,000 non-contributory (Employer paid) + <u>\$30,000 (Member paid at flat rate)</u></p> <p style="text-align: center;">\$40,000</p> <p><u>Reduction:</u> \$10,000 non-contributory (Employer paid) Age 65 reduce to \$5,000 Age 70 reduce to \$4,000</p> <p>\$30,000 contributory (Member paid) Age 65 reduce 50% Age 70 reduce 50% of already 50% (1/4)</p> <p>AD&D stops at age 75</p> | <p>\$10,000 non-contributory (Employer paid) + <u>\$30,000 (Member paid at age banded rates)</u></p> <p style="text-align: center;"><u>\$40,000</u></p> <p><u>Reduction:</u> \$10,000 non-contributory (Employer paid) Age 65 reduce to \$5,000 Age 70 reduce to \$4,000</p> <p>\$30,000 contributory (Member paid) Age 65 reduce 50% Age 70 reduce 50% of already 50% (1/4)</p> <p>AD&D stops at age 75</p> |

Issue

Legislators & Constitutional officers may receive up to \$40,000 in overall Basic life coverage (\$10,000 non-contributory plus \$30,000 contributory).

State employees only receive the non-contributory portion of Basic life, or \$10,000.

Cost of Basic life is at flat non-contributory Basic rate.

Proposal

Allow State employees to obtain \$30,000 contributory Basic life.

- Current employees may elect contributory Basic guaranteed on a one-time basis only.
- New employees may elect contributory Basic on a guaranteed basis.

Cost for state employees would be at current age banded supplemental rates, rather than the flat rate charged to legislators/officers.

Exhibit 2
EBD State of Arkansas ASE Group Life
Member Supplemental Life

| | Legislators & Constitutional Officers | State Employee |
|---|--|---|
| Supplemental (Member paid) <i>Member</i> | <p style="text-align: center;"><u>Up to \$250,000 maximum</u> (\$1,000 Increments)</p> <p><u>Reduction:</u> Age 65 = 50% Age 70 = 25% Age 70 Basic + Supplemental <\$20,000.</p> | <p style="text-align: center;">Up to \$250,000 maximum (\$1,000 Increments)</p> <p><u>Reduction:</u> Age 65 = 50% Age 70 = 25% Age 70 Basic + Supplemental <\$20,000.</p> |

Issue

Legislators and constitutional officers may elect up to \$50,000 in overall Supplemental life insurance at \$1,000 increments.

Whereas, state employees can elect up to \$250,000 in overall Supplemental life insurance at increments of \$1,000.

Election by both groups requires evidence of insurability (EOI).

Cost of both supplemental plans is at current age banded rates.

Proposal

Permit legislators and constitutional officers to elect up to \$250,000 in supplemental insurance.

Election by both groups continues with evidence of insurability (EOI).

No change in costs.

Exhibit 3

EBD State of Arkansas ASE Group Life

Spouse and Dependent Supplemental Life

| | Legislators & Constitutional Officers | State Employee | |
|---|---|--|---|
| | | Grandfathered units vs. New unit | New employee |
| Supplemental (Member paid) <i>Spouse</i> | <ul style="list-style-type: none"> 1 or 2 units \$20,000 unit GI \$20,000 (1 unit) | <ul style="list-style-type: none"> Either 1, 2, 3, 4, and 5 units <u>or Unit 6</u> 1 to 5 = \$4,000 per unit up to \$20,000 <u>Unit 6 flat \$40,000 overall</u> GI \$4,000 (1 unit) | <ul style="list-style-type: none"> Either 1, 2, 3, 4, and 5 units <u>or Unit 6</u> 1 to 5 = \$4,000 up unit up to \$20,000 <u>Unit 6 flat \$40,000 overall</u> <u>GI \$20,000 (5 units)</u> |
| <i>Child</i> | <ul style="list-style-type: none"> 1 or 2 units \$20,000 unit (Limited to \$10,000 for 14 days to <3 years) GI \$20,000 | <ul style="list-style-type: none"> Either 1, 2, 3, 4 and 5 units <u>or Unit 6</u> Unit 1 to 5 = \$4,000 up to \$20,000 (Limited to \$2,000 per unit for 14 days to <3 years) <u>Unit 6 flat \$40,000 overall</u> GI \$4,000 | <ul style="list-style-type: none"> Either 1, 2, 3, 4 and 5 units <u>or Unit 6</u> Unit 1 to 5 = \$4,000 up to \$20,000 (Limited to \$2,000 per unit for 14 days to <3 years) <u>Unit 6 flat \$40,000 overall</u> <u>GI \$20,000</u> (Limited to \$10,000 for 14 days to <3 years) |

Issue

Legislators & Constitutional officers may have up to \$40,000 each in Spouse and Child coverage.

State employees may only have up \$20,000 each in Spouse and Child supplemental insurance.

Proposal

Add a flat \$40,000 dependent life option for state employees. Current dependent insured's would retain their current benefit amounts, but can provide EOI to increase within the current options or increase to \$40,000.

Increase the state employee dependent GI limit to \$20,000 for new employees going forward. Again, EOI would be required for current employees to increase coverage.

Arkansas State Employees Health Benefits Program

Preliminary Rates for CY 2012

John Colberg, FSA, EA MAAA

April 12, 2010





Topics

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Benefit Options

| Benefit Option Name : | Gold | Silver (Tentative) | Bronze (Tentative) |
|--|---|---|---|
| Last Modified: | 1/1/2012 | 1/1/2012 | 1/1/2012 |
| Plan Coverage Relative Value: | 1.00 | 0.92 | 0.82 |
| Provider Network: | Health Advantage | TBD | TBD |
| <u>In-Network (INN) Benefits</u> | | | |
| Deductible (Individual / Family) | None / None | \$500 / \$1000 | \$1500 / \$3000 |
| Coinsurance | 20% | 20% | 20% |
| Copays | | | |
| Office Visit (OV)-Primary Care (PCP) | \$25 | \$35 | Ded. & Coins. |
| OV - Specialist Care Provider (SCP) | \$35 | \$50 | Ded. & Coins. |
| Urgent Care (UC) | \$100 | \$150 | Ded. & Coins. |
| Hospital Emergency Room (ER) Non-admitted | \$100 | \$150 | Ded. & Coins. |
| Outpatient Surgery | \$100 then Ded. & Coins. | \$100 then Ded. & Coins. | Ded. & Coins. |
| Hospital Inpatient | \$250 then Ded. & Coins. | \$250 then Ded. & Coins. | Ded. & Coins. |
| Out-of-Pocket Max (Individual / Family) | \$1500 / \$3000 | \$2000 / \$4000 | \$2500 / \$5000 |
| <u>Out-of-Network (OON) Benefits</u> ¹ | | | |
| Deductible (Individual / Family) | \$1000 / \$2000 | \$1000 / \$2000 | \$3000 / \$6000 |
| Coinsurance | 40% | 40% | 40% |
| Out-of-Pocket (OOP) Max (Individual / Family) | \$5000 / \$10000 | \$5000 / \$10000 | \$5000 / \$10000 |
| Annual Maximum INN / OON | Unlimited / \$1,000,000 | Unlimited / \$1,000,000 | Unlimited / \$1,000,000 |
| <u>Prescription Drugs</u> | | | |
| Separate Deductible then the following Copays: | | | |
| Retail (30 Days) - Generic/Formulary /Non-Form. | \$10 / \$30 / \$60 | \$15 / \$35 / \$70 | Ded. & Coins. |
| Mail Order (90 Days) - Generic/Form. /Non-Form. | \$10 / \$30 | \$15 / \$35 | Ded. & Coins. |
| <u>Selected Detail Benefits</u> | | | |
| Mental Health (MH) / Substance Abuse (SA): | IP: \$250 then Ded & Coins; OP: Ded & Coins | IP: \$250 then Ded & Coins; OP: Ded & Coins | Ded. & Coins. |
| Psychiatry | INN: \$25 Copay; OON: Ded & Coins. | INN: \$35 Copay; OON: Ded & Coins. | Ded. & Coins. |
| Rehabilitation (i.e., speech, occup. physical): | Ded & Coins. | Ded & Coins. | Ded. & Coins. |
| Chiropractors: | \$35 then Ded & Coins | \$35 then Ded & Coins | Ded. & Coins. |
| Hearing Aids: | No Cost; Limit of \$1400 per ear every 3 years | No Cost; Limit of \$1400 per ear every 3 years | Ded. & Coins. |
| Preventive Care: | INN: No Cost; OON: Coins. except immun. no cost | INN: No Cost; OON: Coins. except immun. no cost | INN: No Cost; OON: Coins. except immun. no cost |



Benefit Options (Cont.)

| | | | |
|--|---|------------------------|------------------------|
| <u>Medical Management</u> | | | |
| PCP referral to specialists required: | No | No | No |
| Inpatient: | Health Advantage (HA) - Patient Responsible | TBD | TBD |
| Outpatient: | Selected | Selected | Selected |
| Case Management: | Yes | Yes | Yes |
| Disease Management: | Yes, select conditions | Yes, select conditions | Yes, select conditions |
| Wellness | Yes | Yes | Yes |
| Nurse-Line / Informed Decision Support: | Yes | Yes | Yes |
| | | | |
| Medicare Integration: | Coordination of Benefits | Not Available | Not Available |
| Non- Medicare Benefits Covered: | Yes, same as NME | | |
| Non- Medicare Providers Covered: | Non-Par & Non-Accepting | | |
| Pharmacy Covered: | Non-Par & Non-Accepting | | |
| <u>Vision Care Services</u> | | | |
| Exam every 24 months - INN | \$35 Copay | \$35 Copay | \$35 Copay |
| Flexible Spending Account Offered: | Yes | Yes | Yes |
| Health Savings Account Offered: | No | No | Yes |
| <u>Life Insurance (ASE Only)</u> | | | |
| Prior to Age 65 | \$10,000 | \$10,000 | \$10,000 |
| From Age 65 to Age 69 | \$5,000 | \$5,000 | \$5,000 |
| From Age 70 on | \$4,000 | \$4,000 | \$4,000 |
| ¹ When an in-network provider is not available within 50 miles for a hospital and 25 miles for all other providers, then in-network | | | |



Option 1 – Baseline

PSE ACTIVE RATE DEVELOPMENT for CY2012

| | | | | | | | | | |
|--|----------------------|---------------------|----------------------|---------------------------------------|---------------------|----------------------|---------------------|------------------|---------------------|
| Plan: | Gold | | | Silver (based on Gold Actives) | | | Bronze | | |
| Benefit: | <u>Medical</u> | <u>Pharmacy</u> | <u>Total</u> | <u>Medical</u> | <u>Pharmacy</u> | <u>Total</u> | <u>Medical</u> | <u>Pharmacy</u> | <u>Total</u> |
| Experience Period - Service (Incurred) Dates | 2/10 - 1/11 | 2/10 - 1/11 | | 2/10 - 1/11 | 2/10 - 1/11 | | 2/10 - 1/11 | 2/10 - 1/11 | |
| Experience Period - Processed (Paid) Dates | 2/10 - 2/11 | 2/10 - 2/11 | | 2/10 - 2/11 | 2/10 - 2/11 | | 2/10 - 2/11 | 2/10 - 2/11 | |
| | A | B | C | D | E | F | G | H | I |
| 1 Total Incurred Medical & Rx Claims (Experience Period) | \$179,025,721 | \$52,907,727 | \$231,933,447 | \$167,967,091 | \$48,253,901 | \$216,220,991 | \$6,214,080 | \$414,886 | \$6,628,966 |
| 2 <u>Less High Cost Claims Above (Med/Rx)</u> | <u>\$100,000</u> | <u>\$20,000</u> | | <u>\$10,301,814</u> | <u>\$2,910,729</u> | <u>\$13,212,542</u> | <u>\$669,728</u> | <u>\$0</u> | <u>\$669,728</u> |
| 3 Net Incurred Claims below Pooling Point [1 - 2] | \$167,591,695 | \$49,659,402 | \$217,251,097 | \$157,665,277 | \$45,343,172 | \$203,008,449 | \$5,544,351 | \$414,886 | \$5,959,238 |
| 4 <u>Person Months for Experience Period</u> | 741,634 | 741,634 | 741,634 | 714,212 | 714,212 | 714,212 | 62,191 | 62,191 | 62,191 |
| 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4] | \$225.98 | \$66.96 | \$292.94 | \$220.75 | \$63.49 | \$284.24 | \$89.15 | \$6.67 | \$95.82 |
| 6 Change in Benefits During Experience Period | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | |
| 7 Change in Demographics or Risk During Experience Period | 1.0009 | 1.0005 | | 1.0010 | 1.0007 | | 0.9869 | 0.9860 | |
| 8 Change in Geographic During Experience Period | 0.9991 | 0.9991 | | 0.9991 | 0.9991 | | 1.0003 | <u>1.0003</u> | |
| 9 a) Annual Trend Rate | 8.0% | 5.5% | | 8.0% | 5.5% | | 8.0% | 5.5% | |
| b) Months to Trend | 23 | 23 | | 23 | 23 | | 23 | 23 | |
| c) <u>Trend Adjustment</u> | <u>1.1589</u> | <u>1.1081</u> | | <u>1.1589</u> | <u>1.1081</u> | | <u>1.1589</u> | <u>1.1081</u> | |
| 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c] | \$261.88 | \$74.16 | \$336.05 | \$255.86 | \$70.34 | \$326.19 | \$102.00 | \$7.29 | \$109.29 |
| 11 <u>Charge for Claims above Pooling Point PPPM</u> | <u>\$15.42</u> | <u>\$4.38</u> | <u>\$19.80</u> | <u>\$14.42</u> | <u>\$4.08</u> | <u>\$18.50</u> | <u>\$10.77</u> | <u>\$0.00</u> | <u>\$10.77</u> |
| 12 Total Claims Charged PPPM [9 + 10] | \$277.30 | \$78.54 | \$355.85 | \$270.28 | \$74.41 | \$344.69 | \$112.77 | \$7.29 | \$120.06 |
| 13 Change in Future Benefits | 1.0220 | 1.0000 | | 0.9579 | 0.9006 | | 1.0220 | 1.0000 | |
| 14 Change in Future Demographics (Age/Gender/Family) or Risk | 1.0130 | 1.0126 | | 0.9000 | 0.9000 | | 1.0000 | 1.0000 | |
| 15 Change in Future Geographic | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | |
| 16 <u>Change in Future Network</u> | <u>0.9734</u> | <u>1.0000</u> | | <u>1.0688</u> | <u>1.0000</u> | | <u>1.0000</u> | <u>1.0000</u> | |
| 17 Projected Incurred Claim PPPM [13x 14 x15x16] | \$279.43 | \$79.53 | \$358.97 | \$249.04 | \$60.31 | \$309.36 | \$115.25 | \$7.29 | \$122.54 |
| 18 Projected Blended Incurred Claim PPPM | n/a | \$72.88 | | n/a | \$65.63 | | n/a | \$54.54 | |
| 19 Percent to Use Blended Experience | | 0% | | | 0% | | | 0% | |
| 20 Rating Incurred Claim PPPM [17 blended with 18] | \$279.43 | \$79.53 | \$358.97 | \$249.04 | \$60.31 | \$309.36 | \$115.25 | \$7.29 | \$122.54 |
| 21 <u>Projected Persons Months</u> | 648,562 | 648,562 | 648,562 | 88,732 | 88,732 | 88,732 | 91,392 | 91,392 | 91,392 |
| 22 Projected Total Incurred Claims [20 x 21] | \$181,230,589 | \$51,582,461 | \$232,813,050 | \$22,098,180 | \$5,351,857 | \$27,450,037 | \$10,532,768 | \$666,250 | \$11,199,018 |
| 23 Conversion to Rating Tiers [20 x rating tier x counts] | <u>x tier</u> | <u>Projected</u> | | <u>x tier</u> | <u>Projected</u> | | <u>x tier</u> | <u>Projected</u> | |
| | <u>factor</u> | <u>Ee Months</u> | <u>PEPM</u> | <u>factor</u> | <u>Ee Months</u> | <u>PEPM</u> | <u>factor</u> | <u>Ee Months</u> | <u>PEPM</u> |
| a) Employee Only | 1.10 | 363,176 | \$396.30 | 1.14 | 45,600 | \$352.65 | 1.12 | 41,448 | \$137.27 |
| b) Employee & Spouse | 3.28 | 16,901 | \$1,176.69 | 3.38 | 1,808 | \$1,047.08 | 3.30 | 3,168 | \$404.52 |
| c) Employee & Child(ren) | 2.07 | 59,427 | \$744.62 | 2.14 | 9,675 | \$662.61 | 2.09 | 5,880 | \$256.70 |
| d) Family | 3.29 | 20,900 | \$1,180.90 | 3.40 | 2,916 | \$1,050.83 | 3.31 | 6,696 | \$405.99 |
| e) Child(ren) of Medicare Retirees | 0.97 | 192 | \$348.32 | | | | | | |
| 24 Rates Balance Confirmation | | 460,596 | \$232,813,050 | | 60,000 | \$27,450,037 | | 57,192 | \$11,199,018 |

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



Option 1 – Baseline (Cont.)

No Benefit or Rating Method Changes

CHEIRON

PSE Detailed Financials

H-scan

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

| ALLOCATED RESERVES (in \$millions) | | | | |
|------------------------------------|---------|---------|---------|---------|
| PSE -- PYE | 2011 | 2012 | 2013 | 2014 |
| Actives - 9/30 | \$11.84 | \$7.33 | \$3.38 | \$0.00 |
| Retiree NME -12/31 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Retiree ME -12/31 | \$0.76 | \$0.47 | \$0.22 | \$0.00 |
| RETIREE SUBSIDY FROM ACTIVES | | | | |
| PSE - PEPM | \$11.20 | \$11.20 | \$11.20 | \$11.20 |
| NME Ret. Blend Holdba | \$63.55 | \$50.00 | | |
| Totaling (\$mil) | | \$1.23 | | |

2012 vs. 2011

| Actives | Medical and Pharmacy* | Expenses | Retirement Subsidy | Total Monthly Premium | Act 1842 Contrib. | Act 1421 Contrib. | Res. Alloc. | School District Contrib. | 2012 Total EE Cost | 2011 Total EE Cost | Change in Premiums (\$/%) | Assumed Enrollment |
|----------------------------|-----------------------|----------|--------------------|-----------------------|-------------------|-------------------|-------------|--------------------------|--------------------|--------------------|---------------------------|--------------------|
| Gold | | | | | | | | | | | | |
| Employee Only | \$394.36 | \$41.60 | \$11.20 | \$447.16 | \$56.48 | \$24.23 | \$11.17 | \$131.00 | \$224.28 | \$170.34 | \$53.94 32% | 28,322 |
| Employee & Spouse | 1,168.90 | 41.60 | 11.20 | 1,221.70 | 100.40 | 42.92 | 24.42 | 131.00 | 922.96 | 771.74 | 151.21 20% | 1,217 |
| Employee & Child(ren) | 739.76 | 41.60 | 11.20 | 792.56 | 76.92 | 32.88 | 17.80 | 131.00 | 533.96 | 436.87 | 97.08 22% | 4,942 |
| Family | 1,173.01 | 41.60 | 11.20 | 1,225.81 | 103.98 | 44.45 | 24.65 | 131.00 | 921.74 | 773.82 | 147.92 19% | 1,736 |
| Est. Monthly Total (\$mil) | \$18.3 | \$1.5 | \$0.4 | \$20.2 | \$2.3 | \$1.0 | \$0.5 | \$4.7 | \$11.7 | \$9.3 | \$2.4 | 36,217 |
| Silver | | | | | | | | | | (2011 HA) | | |
| Employee Only | \$352.65 | \$41.60 | \$11.20 | \$405.45 | \$56.48 | \$24.23 | \$11.17 | \$131.00 | \$182.57 | \$170.34 | \$12.24 7% | 3,800 |
| Employee & Spouse | 1,047.08 | 41.60 | 11.20 | 1,099.88 | 100.40 | 42.92 | 24.42 | 131.00 | 801.14 | 771.74 | 29.39 4% | 151 |
| Employee & Child(ren) | 662.61 | 41.60 | 11.20 | 715.41 | 76.92 | 32.88 | 17.80 | 131.00 | 456.81 | 436.87 | 19.93 5% | 806 |
| Family | 1,050.83 | 41.60 | 11.20 | 1,103.63 | 103.98 | 44.45 | 24.65 | 131.00 | 799.55 | 773.82 | 25.74 3% | 243 |
| Est. Monthly Total (\$mil) | \$2.3 | \$0.2 | \$0.1 | \$2.6 | \$0.3 | \$0.1 | \$0.1 | \$0.7 | \$1.4 | \$1.3 | \$0.1 | 5,000 |
| Bronze | | | | | | | | | | | | |
| Employee Only | \$137.27 | \$41.60 | \$11.20 | \$190.07 | \$56.48 | \$24.23 | \$11.17 | \$131.00 | (\$32.81) | \$15.10 | (\$47.91) -317% | 3,454 |
| Employee & Spouse | 404.52 | 41.60 | 11.20 | 457.32 | 100.40 | 42.92 | 24.42 | 131.00 | 158.58 | 333.10 | (174.52) -52% | 264 |
| Employee & Child(ren) | 256.70 | 41.60 | 11.20 | 309.50 | 76.92 | 32.88 | 17.80 | 131.00 | 50.90 | 155.36 | (104.46) -67% | 490 |
| Family | 405.99 | 41.60 | 11.20 | 458.79 | 103.98 | 44.45 | 24.65 | 131.00 | 154.71 | 333.70 | (178.99) -54% | 558 |
| Est. Monthly Total (\$mil) | \$0.9 | \$0.2 | \$0.1 | \$1.2 | \$0.3 | \$0.1 | \$0.1 | \$0.6 | \$0.0 | \$0.4 | -\$0.4 | 4,766 |
| Total (Monthly) (\$ mil) | \$21.5 | \$1.9 | \$0.5 | \$23.9 | \$2.9 | \$1.3 | \$0.6 | \$6.0 | \$13.1 | \$11.0 | \$2.2 | 45,983 |
| Est Annual Total (\$ mil) | \$258.1 | \$23.0 | \$6.2 | \$287.2 | \$35.0 | \$15.0 | \$7.3 | \$72.3 | \$157.6 | \$131.7 | \$25.9 | |

*Rates reflect NME Retiree Blending holdback

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



Option 1 – Baseline (Cont.)

PSE RETIREE RATE DEVELOPMENT for CY2012

Plan:

Benefit:

Experience Period - Service (Incurred) Dates

Experience Period - Processed (Paid) Dates

| | Non-Medicare (combined with Actives) | | | Medicare | |
|---|--------------------------------------|---------------------|----------------------|---------------------|---------------------|
| | Medical | Pharmacy | Total | Medical | Total |
| | 2/10 - 1/11 | 2/10 - 1/11 | | 2/10 - 1/11 | |
| | 2/10 - 2/11 | 2/10 - 2/11 | | 2/10 - 2/11 | |
| 1 Total Incurred Medical & Rx Claims (Experience Period) | \$179,025,721 | \$52,907,727 | \$231,933,447 | \$9,140,621 | \$9,140,621 |
| 2 Less High Cost Claims Above (Med/Rx) \$100,000 \$20,000 | <u>\$11,434,026</u> | <u>\$3,248,325</u> | <u>\$14,682,351</u> | <u>\$143,707</u> | <u>\$143,707</u> |
| 3 Net Incurred Claims below Pooling Point [1 - 2] | \$167,591,695 | \$49,659,402 | \$217,251,097 | \$8,996,914 | \$8,996,914 |
| 4 Person Months for Experience Period | 741,634 | 741,634 | 741,634 | <u>\$73,330</u> | 73,330 |
| 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4] | \$225.98 | \$66.96 | \$292.94 | \$122.69 | \$122.69 |
| 6 Change in Benefits During Experience Period | 1.0000 | 1.0000 | | 1.0000 | |
| 7 Change in Demographics or Risk During Experience Period | 1.0009 | 1.0005 | | 0.9993 | |
| 8 Change in Geographic During Experience Period | 0.9991 | 0.9991 | | 1.0000 | |
| 9 a) Annual Trend Rate | 8.0% | 5.5% | | 7.5% | |
| b) Months to Trend | 23 | 23 | | 23 | |
| c) Trend Adjustment | <u>1.1589</u> | <u>1.1081</u> | | <u>1.1487</u> | |
| 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c] | \$261.88 | \$74.16 | \$336.05 | \$140.84 | \$140.84 |
| 11 Charge for Claims above Pooling Point PPPM | <u>\$15.42</u> | <u>\$4.38</u> | <u>\$19.80</u> | <u>\$1.96</u> | <u>\$1.96</u> |
| 12 Total Claims Charged PPPM [9 + 10] | \$277.30 | \$78.54 | \$355.85 | \$142.80 | \$142.80 |
| 13 Change in Future Benefits | 1.0220 | 1.0000 | | 1.0000 | |
| 14 Change in Future Demographics (Age/Gender/Family) or Risk | 1.0130 | 1.0126 | | 1.0000 | |
| 15 Change in Future Geographic | 1.0000 | 1.0000 | | 1.0000 | |
| 16 Change in Future Network | <u>0.9734</u> | <u>1.0000</u> | | <u>1.0000</u> | |
| 17 Projected Incurred Claim PPPM [13x 14 x15x16] | \$279.43 | \$79.53 | \$358.97 | \$142.80 | \$142.80 |
| 18 Projected Persons Months | 648,562 | 648,562 | 648,562 | 78,168 | 78,168 |
| 19 Projected Total Incurred Claims [17 x 18] | \$181,230,589 | \$51,582,461 | \$232,813,050 | \$11,162,261 | \$11,162,261 |

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



Option 1 – Baseline (Cont.)

PSE RETIREE RATE DEVELOPMENT for CY2012

| PPPM [17] | | <u>x Non-Med.</u> | <u>Non-Med.</u> | <u>x Medicare</u> | <u>Medicare</u> | <u>Projected</u> | <u>TOTAL</u> |
|--------------------------------------|---------------------------------------|--------------------|---------------------|--------------------|---------------------|-------------------|---------------------|
| | | <u>tier factor</u> | <u>PEPM</u> | <u>tier factor</u> | <u>PEPM</u> | <u>Ret Months</u> | <u>PEPM</u> |
| 20 Conversion to Rating Tiers | | | | | | | |
| a) | NME Retiree | 1.10 | \$396.30 | - | \$0.00 | 22,116 | \$396.30 |
| b) | NME Retiree & NME Spouse | 3.28 | \$1,176.69 | - | \$0.00 | 2,292 | \$1,176.69 |
| c) | NME Retiree & Child(ren) | 2.07 | \$744.62 | - | \$0.00 | 84 | \$744.62 |
| d) | NME Retiree & NME Spouse & Child(ren) | 3.29 | \$1,180.90 | - | \$0.00 | 72 | \$1,180.90 |
| e) | NME Retiree & ME Spouse | 1.10 | \$396.30 | 1.00 | \$142.80 | - | \$539.10 |
| f) | NME Retiree & ME Spouse & Child(ren) | 2.07 | \$744.62 | 1.00 | \$142.80 | - | \$887.42 |
| g) | ME Retiree | - | \$0.00 | 1.00 | \$142.80 | 63,636 | \$142.80 |
| h) | ME Retiree & NME Spouse | 1.10 | \$396.30 | 1.00 | \$142.80 | 1,200 | \$539.10 |
| i) | ME Retiree & Child(ren) | 0.97 | \$348.32 | 1.00 | \$142.80 | 168 | \$491.12 |
| j) | ME Retiree & NME Spouse & Child(ren) | 2.07 | \$784.59 | 1.00 | \$142.80 | 36 | \$927.39 |
| k) | ME Retiree & ME Spouse | - | \$0.00 | 2.00 | \$285.60 | 6,540 | \$285.60 |
| l) | ME Retiree & ME Spouse & Child(ren) | 0.97 | \$348.32 | 2.00 | \$285.60 | 24 | \$633.92 |
| 20 Rates Balance Confirmation | | | \$12,179,862 | | \$11,162,261 | | \$23,342,123 |

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



Option 1 – Baseline (Cont.)

No Benefit or Rating Method Changes

CHEIRON

PSE Detailed Financials

H-scan

CLAIMS & EXPENSES

| | |
|-----------------------------|-----|
| Blend ASE & PSE Retirees | No |
| Combine NM Ret with Actives | Yes |
| Blend Novasys & HDPPPO | No |
| If yes, % to Blend (PSE) | 0% |
| % to Blend Pharmacy (All) | 0% |
| Blend NME with ALL Act | No |
| Blend Large Claims | No |

ALLOCATED RESERVES (in \$millions)

| | | | | |
|------------------------------|---------|---------|---------|---------|
| PSE -- PYE | 2010 | 2011 | 2012 | 2013 |
| Actives - 9/30 | \$11.84 | \$7.33 | \$3.38 | \$0.00 |
| Retiree NME -12/31 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Retiree ME -12/31 | \$0.76 | \$0.47 | \$0.22 | \$0.00 |
| RETIREE SUBSIDY FROM ACTIVES | | | | |
| PSE - PEPM | \$11.20 | \$11.20 | \$11.20 | \$11.20 |
| NME Ret. Blending Hold | \$63.55 | \$50.00 | | |

2012 vs. 2011

| Retirees | Medical and Pharmacy* | Expenses | Retirement Subsidy | Total Monthly Premium | Subsidy from Actives | Reserve Allocation | | | | 2012 Total Ret. Cost | 2011 Total Ret. Cost | Change in Premiums (\$/%) | Assumed Enrollment |
|----------------------------|-----------------------|----------|--------------------|-----------------------|----------------------|--------------------|-------|-------|--|----------------------|----------------------|---------------------------|--------------------|
| Non-Medicare Eligible | | | | | | | | | | | | | |
| Retiree Only | \$446.30 | \$41.60 | | \$487.90 | \$0.00 | \$0.00 | | | | \$487.90 | \$457.42 | \$30.49 7% | 1,843 |
| Retiree & NME SP | 1,226.69 | 41.60 | | 1,268.29 | 0.00 | 0.00 | | | | 1,268.29 | 1,152.01 | \$116.28 10% | 191 |
| Retiree & Child(ren) | 794.62 | 41.60 | | 836.22 | 0.00 | 0.00 | | | | 836.22 | 768.28 | \$67.94 9% | 7 |
| Retiree & NME SP&CH | 1,230.90 | 41.60 | | 1,272.50 | 0.00 | 0.00 | | | | 1,272.50 | 1,159.82 | \$112.67 10% | 6 |
| Retiree & ME SP | 589.10 | 41.60 | | 630.70 | 0.00 | 0.00 | | | | 630.70 | 596.82 | \$33.88 6% | - |
| Retiree & ME SP & CH | 937.42 | 41.60 | | 979.02 | 0.00 | 0.00 | | | | 979.02 | 907.71 | \$71.31 8% | - |
| Est. Monthly Total (\$mil) | \$1.1 | \$0.1 | \$0.0 | \$1.2 | \$0.0 | \$0.0 | | | | \$1.2 | \$1.1 | \$0.1 | 2,047 |
| Medicare Eligible | | | | | | | | | | | | | |
| Retiree Only | \$142.80 | \$29.70 | | \$172.50 | \$87.56 | \$6.66 | | | | \$78.28 | \$41.44 | \$36.84 89% | 5,303 |
| Retiree & NME SP | 589.10 | 29.70 | | 618.80 | - | 0.00 | | | | 618.80 | 568.37 | \$50.43 9% | 100 |
| Retiree & Child(ren) | 491.12 | 29.70 | | 520.82 | 30.63 | 2.33 | | | | 487.86 | 421.17 | \$66.69 16% | 14 |
| Retiree & NME SP&CH | 937.42 | 29.70 | | 967.12 | - | 0.00 | | | | 967.12 | 877.42 | \$89.70 10% | 3 |
| Retiree & ME SP | 285.60 | 29.70 | | 315.30 | 92.07 | 7.00 | | | | 216.22 | 170.59 | \$45.63 27% | 545 |
| Retiree & ME SP & CH | 633.92 | 29.70 | | 663.62 | 35.15 | 2.67 | | | | 625.80 | 550.32 | \$75.48 14% | 2 |
| Est. Monthly Total (\$mil) | \$1.0 | \$0.2 | | \$1.2 | \$0.5 | \$0.0 | | | | \$0.6 | \$0.4 | \$0.2 | 5,967 |
| Total (Est. Monthly) | \$2.1 | \$0.3 | \$0.0 | \$2.3 | \$0.5 | \$0.0 | \$0.0 | \$0.0 | | \$1.8 | \$1.5 | \$0.3 | 8,014 |
| Total (Est. Annual) | \$24.6 | \$3.1 | \$0.0 | \$27.8 | \$6.2 | \$0.5 | \$0.0 | \$0.0 | | \$21.1 | \$17.5 | \$3.7 | |

*Rates reflect NME Retiree Blending holdback

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



Option 1 – Baseline (Cont.)

ASE ACTIVE RATE DEVELOPMENT for CY2012

Plan:
Benefit:
Experience Period - Service (Incurred) Dates
Experience Period - Processed (Paid) Dates

| | Gold | | | Silver (based on Gold Actives) | | | Bronze | | |
|--|------------------|------------------------|---------------|--------------------------------|------------------------|---------------|------------------|------------------------|-------------|
| | Medical | Pharmacy | Total | Medical | Pharmacy | Total | Medical | Pharmacy | Total |
| | 2/10 - 1/11 | 2/10 - 1/11 | | 2/10 - 1/11 | 2/10 - 1/11 | | 2/10 - 1/11 | 2/10 - 1/11 | |
| | 2/10 - 2/11 | 2/10 - 2/11 | | 2/10 - 2/11 | 2/10 - 2/11 | | 2/10 - 2/11 | 2/10 - 2/11 | |
| | A | B | C | D | E | F | G | H | I |
| 1 Total Incurred Medical & Rx Claims (Experience Period) | \$143,177,761 | \$41,752,307 | \$184,930,068 | \$128,283,829 | \$37,205,186 | \$165,489,015 | \$1,595,219 | \$137,985 | \$1,733,204 |
| 2 Less High Cost Claims Above (Med/Rx) | \$7,046,324 | \$3,158,356 | \$10,204,680 | \$5,952,884 | \$2,790,131 | \$8,743,015 | \$96,970 | \$8,333 | \$105,303 |
| 3 Net Incurred Claims below Pooling Point [1 - 2] | \$136,131,436 | \$38,593,952 | \$174,725,388 | \$122,330,945 | \$34,415,055 | \$156,746,000 | \$1,498,249 | \$129,652 | \$1,627,901 |
| 4 Person Months for Experience Period | 597,011 | 597,011 | 597,011 | 560,384 | 560,384 | 560,384 | 19,156 | 19,156 | 19,156 |
| 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4] | \$228.02 | \$64.65 | \$292.67 | \$218.30 | \$61.41 | \$279.71 | \$78.21 | \$6.77 | \$84.98 |
| 6 Change in Benefits During Experience Period | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | |
| 7 Change in Demographics or Risk During Experience Period | 0.9943 | 0.9945 | | 0.9943 | 0.9945 | | 0.9964 | 1.0342 | |
| 8 Change in Geographic During Experience Period | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | | 0.9982 | 0.9982 | |
| 9 a) Annual Trend Rate | 8.0% | 5.5% | | 8.0% | 5.5% | | 8.0% | 5.5% | |
| b) Months to Trend | 23 | 23 | | 23 | 23 | | 23 | 23 | |
| c) Trend Adjustment | 1.1589 | 1.1081 | | 1.1589 | 1.1081 | | 1.1589 | 1.1081 | |
| 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c] | \$262.76 | \$71.24 | \$334.00 | \$251.56 | \$67.67 | \$319.23 | \$90.16 | \$7.74 | \$97.90 |
| 11 Charge for Claims above Pooling Point PPPM | \$11.80 | \$5.29 | \$17.09 | \$10.62 | \$4.98 | \$15.60 | \$5.06 | \$0.44 | \$5.50 |
| 12 Total Claims Charged PPPM [10 + 11] | \$274.56 | \$76.53 | \$351.09 | \$262.18 | \$72.65 | \$334.83 | \$95.22 | \$8.18 | \$103.40 |
| 13 Change in Future Benefits | 1.0210 | 1.0000 | | 0.9487 | 0.9020 | | 1.0210 | 1.0000 | |
| 14 Change in Future Demographics (Age/Gender/Family) or Risk | 1.0072 | 1.0072 | | 0.9000 | 0.9000 | | 1.0000 | 1.0000 | |
| 15 Change in Future Geographic | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | |
| 16 Change in Future Network | 0.9857 | 1.0000 | | 1.0825 | 1.0000 | | 1.0000 | 1.0000 | |
| 17 Projected Incurred Claim PPPM [13x 14 x15x16] | \$278.32 | \$77.08 | \$355.41 | \$242.33 | \$58.98 | \$301.30 | \$97.22 | \$8.18 | \$105.40 |
| 18 Projected Blended Incurred Claim PPPM | n/a | \$75.23 | n/a | n/a | \$67.86 | n/a | n/a | \$56.30 | n/a |
| 19 Percent to Use Blended Experience | | 0% | | | 0% | | | 0% | |
| 20 Rating Incurred Claim PPPM [17 blended with 18] | \$278.32 | \$77.08 | \$355.41 | \$242.33 | \$58.98 | \$301.30 | \$97.22 | \$8.18 | \$105.40 |
| 21 Projected Persons Months | 564,837 | 564,837 | 564,837 | 40,655 | 40,655 | 40,655 | 21,720 | 21,720 | 21,720 |
| 22 Projected Total Incurred Claims [20 x 21] | \$157,206,587 | \$43,539,377 | \$200,745,964 | \$9,851,654 | \$2,397,669 | \$12,249,323 | \$2,111,555 | \$177,651 | \$2,289,206 |
| 23 Conversion to Rating Tiers [20 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 | 1.15 | 192,892 | \$407.90 | 1.17 | 14,640 | \$352.11 | 1.14 | 7,488 | \$119.95 |
| b) Employee & Spouse | 2.92 | 44,551 | \$1,036.33 | 2.97 | 2,719 | \$894.59 | 2.85 | 1,728 | \$300.73 |
| c) Employee & Child(ren) | 1.78 | 52,550 | \$632.35 | 1.81 | 4,314 | \$545.87 | 1.75 | 1,452 | \$184.52 |
| d) Family | 3.23 | 36,967 | \$1,148.57 | 3.29 | 2,327 | \$991.48 | 3.16 | 1,812 | \$333.01 |
| e) Child(ren) of Medicare Retirees | 0.63 | 914 | \$224.45 | | | | - | | |
| 24 Rates Balance Confirmation | | 327,875 | \$200,745,964 | | 24,000 | \$12,249,323 | | 12,480 | \$2,289,206 |

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

Option 1 – Baseline (Cont.)

ASE Detailed Financials

| CLAIMS & EXPENSES | |
|-----------------------------|-----|
| Blend ASE & PSE Retirees | No |
| Combine NM Ret with Actives | Yes |
| Blend Novasys PPO & HD | No |
| If yes, % of PPO in Blend | 90% |
| % to Blend Pharmacy | 0% |
| Gold Rates Same as 2011 HA | No |

| ALLOCATED RESERVES (in \$millions) | | | | |
|------------------------------------|--------|--------|--------|--------|
| ASE -- PYE | 2011 | 2012 | 2013 | 2014 |
| Actives - 12/31 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| STATE/EMPLOYER FUNDING | | | | |
| Calc Contributions | \$390 | \$422 | n/a | n/a |
| Base Contributions | \$390 | \$390 | \$390 | \$390 |
| % for Employee | 75% | 75% | 75% | 75% |
| % for Dependent | 50% | 50% | 50% | 50% |
| ASE Budgeted Jobs | 34,800 | 34,800 | 34,800 | 34,800 |

2012 vs. 2011

| Actives | Medical and Pharmacy | Expenses | Total Monthly Premium | State Contributions | Reserve Allocation | 2012 EE Total Cost | 2011 EE Total Cost | Change in Premiums (\$ / %) | | Assumed Enrollment |
|----------------------------|----------------------|----------|-----------------------|---------------------|--------------------|--------------------|--------------------|-----------------------------|--------|--------------------|
| Gold | | | | | | | | | | |
| Employee Only | \$407.90 | \$47.57 | \$455.47 | \$330.52 | \$0.00 | \$124.95 | \$95.78 | \$29.17 | 30% | 14,240 |
| Employee & Spouse | 1,036.33 | 47.57 | 1,083.90 | 632.95 | 0.00 | 450.95 | 367.74 | 83.21 | 23% | 3,192 |
| Employee & Child(ren) | 632.35 | 47.57 | 679.92 | 439.56 | 0.00 | 240.36 | 193.64 | 46.72 | 24% | 4,293 |
| Family | 1,148.57 | 47.57 | 1,196.14 | 686.18 | 0.00 | 509.96 | 419.62 | 90.34 | 22% | 3,041 |
| Est. Monthly Total (\$mil) | \$15.3 | \$1.2 | \$16.5 | \$10.7 | \$0.0 | \$5.8 | \$4.6 | \$1.2 | | 24,766 |
| Silver | | | | | | | (2011 HA) | | | |
| Employee Only | \$352.11 | \$47.57 | \$399.68 | \$330.52 | \$0.00 | \$69.16 | \$95.78 | (\$26.62) | -28% | 1,220 |
| Employee & Spouse | 894.59 | 47.57 | 942.16 | 632.95 | 0.00 | 309.21 | 367.74 | (\$58.53) | -16% | 227 |
| Employee & Child(ren) | 545.87 | 47.57 | 593.44 | 439.56 | 0.00 | 153.88 | 193.64 | (\$39.76) | -21% | 359 |
| Family | 991.48 | 47.57 | 1,039.05 | 686.18 | 0.00 | 352.86 | 419.62 | (\$66.76) | -16% | 194 |
| Est. Monthly Total (\$mil) | \$1.0 | \$0.1 | \$1.1 | \$0.8 | \$0.0 | \$0.3 | \$0.4 | (\$0.1) | | 2,000 |
| Bronze | | | | | | | | | | |
| Employee Only | \$119.95 | \$47.57 | \$167.52 | \$330.52 | \$0.00 | (\$162.99) | \$7.16 | (\$170.15) | -2378% | 624 |
| Employee & Spouse | 300.73 | 47.57 | 348.30 | 632.95 | 0.00 | (\$284.65) | 154.02 | (\$438.68) | -285% | 144 |
| Employee & Child(ren) | 184.52 | 47.57 | 232.09 | 439.56 | 0.00 | (\$207.47) | 60.33 | (\$267.80) | -444% | 121 |
| Family | 333.01 | 47.57 | 380.58 | 686.18 | 0.00 | (\$305.61) | 183.54 | (\$489.15) | -267% | 151 |
| Est. Monthly Total (\$mil) | \$0.2 | \$0.0 | \$0.2 | \$0.5 | \$0.0 | (\$0.2) | \$0.1 | (\$0.3) | | 1,040 |
| Total (Monthly) (\$ mil) | \$16.5 | \$1.3 | \$17.9 | \$12.0 | \$0.0 | \$5.9 | \$5.1 | \$0.8 | | 27,806 |
| Est Annual Total (\$ mil) | \$198.4 | \$15.9 | \$214.3 | \$143.9 | \$0.0 | \$70.4 | \$60.7 | \$9.7 | | |

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



Option 1 – Baseline (Cont.)

ASE RETIREE RATE DEVELOPMENT for CY2012

Plan:

Benefit:

Experience Period - Service (Incurred) Dates

Experience Period - Processed (Paid) Dates

| | Non-Medicare (combined with Actives) | | | Medicare | | |
|--|--------------------------------------|--------------|---------------|--------------|--------------|--------------|
| | Medical | Pharmacy | Total | Medical | Pharmacy | Total |
| | 2/10 - 1/11 | 2/10 - 1/11 | | 2/10 - 1/11 | 2/10 - 1/11 | |
| | 2/10 - 2/11 | 2/10 - 2/11 | | 2/10 - 2/11 | 2/10 - 2/11 | |
| 1 Total Incurred Medical & Rx Claims (Experience Period)* | \$143,177,761 | \$41,752,307 | \$184,930,068 | \$14,698,277 | \$17,333,408 | \$32,031,685 |
| 2 Less High Cost Claims Above (Med/Rx)* | \$7,046,324 | \$3,158,356 | \$10,204,680 | \$187,985 | \$1,456,922 | \$1,644,907 |
| 3 Net Incurred Claims below Pooling Point [1 - 2] | \$136,131,436 | \$38,593,952 | \$174,725,388 | \$14,510,293 | \$15,876,486 | \$30,386,779 |
| 4 Person Months for Experience Period | 597,011 | 597,011 | 597,011 | 104,850 | 104,850 | 104,850 |
| 5 Net Incurred Claims Per Person Per Month (PPPM) [3 / 4] | \$228.02 | \$64.65 | \$292.67 | \$138.39 | \$151.42 | \$289.81 |
| 6 Change in Benefits During Experience Period | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | |
| 7 Change in Demographics or Risk During Experience Period | 0.9943 | 0.9945 | | 0.9997 | 1.0000 | |
| 8 Change in Geographic During Experience Period | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | |
| 9 a) Annual Trend Rate | 8.0% | 5.5% | | 7.5% | 5.5% | |
| b) Months to Trend | 23 | 23 | | 23 | 23 | |
| c) Trend Adjustment | 1.1589 | 1.1081 | | 1.1487 | 1.1081 | |
| 10 Adjusted Claims Charged PPPM [5 x 6 x 7 x 8 x 9c] | \$262.76 | \$71.24 | \$334.00 | \$158.91 | \$167.78 | \$326.70 |
| 11 Charge for Claims above Pooling Point PPPM | \$11.80 | \$5.29 | \$17.09 | \$1.79 | \$13.90 | \$15.69 |
| 12 Total Claims Charged PPPM [10 + 11] | \$274.56 | \$76.53 | \$351.09 | \$160.71 | \$181.68 | \$342.38 |
| 13 Change in Future Benefits (Level/Mgt/Discounts) | 1.0210 | 1.0000 | | 1.0000 | 1.0000 | |
| 14 Change in Future Demographics (Age/Gender/Family) or Risk | 1.0072 | 1.0072 | | 1.0000 | 1.0000 | |
| 15 Change in Future Geographic | 1.0000 | 1.0000 | | 1.0000 | 1.0000 | |
| 16 Change in Future Network | 0.9857 | 1.0000 | | 1.0000 | 1.0000 | |
| 17 Projected Incurred Claim PPPM [13x 14 x15x16] | \$278.32 | \$77.08 | \$355.41 | \$160.71 | \$181.68 | \$342.38 |
| 18 Projected Persons Months | 564,837 | 564,837 | 564,837 | 112,039 | 112,039 | 112,039 |
| 19 Projected Total Incurred Claims [17 x 18] | \$157,206,587 | \$43,539,874 | \$200,746,462 | \$18,005,324 | \$20,355,218 | \$38,360,543 |

\$100,000 \$20,000

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



Option 1 – Baseline (Cont.)

ASE RETIREE RATE DEVELOPMENT for CY2012

| PPPM [17] | | <u>x Non-Med.</u> | <u>Non-Med.</u> | <u>x Medicare</u> | <u>Medicare</u> | <u>Projected</u> | <u>TOTAL</u> |
|--------------------------------------|---------------------------------------|--------------------|---------------------|--------------------|---------------------|------------------|---------------------|
| | | <u>tier factor</u> | <u>PEPM</u> | <u>tier factor</u> | <u>PEPM</u> | <u>Ee Months</u> | <u>PEPM</u> |
| 20 Conversion to Rating Tiers | | | | | | | |
| a) | NME Retiree | 1.15 | \$407.90 | - | \$0.00 | 17,653 | \$407.90 |
| b) | NME Retiree & NME Spouse | 2.92 | \$1,036.33 | - | \$0.00 | 6,245 | \$1,036.33 |
| c) | NME Retiree & Child(ren) | 1.78 | \$632.35 | - | \$0.00 | 738 | \$632.35 |
| d) | NME Retiree & NME Spouse & Child(ren) | 3.23 | \$1,148.57 | - | \$0.00 | 479 | \$1,148.57 |
| e) | NME Retiree & ME Spouse | 1.15 | \$407.90 | 1.00 | \$342.38 | 61 | \$750.28 |
| f) | NME Retiree & ME Spouse & Child(ren) | 1.78 | \$632.35 | 1.00 | \$342.38 | - | \$974.74 |
| g) | ME Retiree | - | \$0.00 | 1.00 | \$342.38 | 57,547 | \$342.38 |
| h) | ME Retiree & NME Spouse | 1.15 | \$407.90 | 1.00 | \$342.38 | 4,293 | \$750.28 |
| i) | ME Retiree & Child(ren) | 0.63 | \$224.45 | 1.00 | \$342.38 | 626 | \$566.84 |
| j) | ME Retiree & NME Spouse & Child(ren) | 1.78 | \$632.35 | 1.00 | \$342.38 | 300 | \$974.74 |
| k) | ME Retiree & ME Spouse | - | \$0.00 | 2.00 | \$684.77 | 24,318 | \$684.77 |
| l) | ME Retiree & ME Spouse & Child(ren) | 0.63 | \$224.45 | 2.00 | \$684.77 | 288 | \$909.22 |
| 20 Rates Balance Confirmation | | | \$16,860,486 | | \$38,360,543 | | \$55,221,029 |

* Pharmacy Cost for Medicare has subtracted the RDS Subsidy.

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



Option 1 - Baseline (Cont.)

No Benefit or Rating Method Changes

CHEIRON

ASE Detailed Financials

H-scan

| CLAIMS & EXPENSES | |
|-----------------------------|-----|
| Blend ASE & PSE Retirees | No |
| Combine NM Ret with Actives | Yes |
| Blend Novasys PPO & HD | No |
| If yes, % of PPO in Blend | 90% |
| % to Blend Pharmacy | 0% |

| | |
|------------------------|----|
| NME Rates Same as 2011 | No |
| ME Rates Same as 2011 | No |

| ALLOCATED RESERVES (in \$millions) | | | | |
|------------------------------------|--------|--------|--------|--------|
| ASE -- PYE | 2011 | 2012 | 2013 | 2014 |
| Retiree NME - 12/31 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Retiree ME - 12/31 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |

| STATE/EMPLOYER FUNDING | | | | |
|------------------------|-----|-----|-----|-----|
| % for Ret NME | 60% | 60% | 60% | 60% |
| % for Ret Dep NME | 40% | 40% | 40% | 40% |
| % for Ret ME | 60% | 60% | 60% | 60% |
| % for Ret Dep ME | 40% | 40% | 40% | 40% |

2012 vs. 2011

| Retirees | Medical and Pharmacy | Expenses | Total Monthly Premium | State Contributions | Reserve Allocation | 2012 Ret. Total Cost | 2011 Ret. Total Cost | Change in Premiums (\$ / %) | | Assumed Enrollment |
|-----------------------------|----------------------|----------|-----------------------|---------------------|--------------------|----------------------|----------------------|-----------------------------|------|--------------------|
| Non-Medicare Eligible | | | | | | | | | | |
| Retiree Only | \$407.90 | \$47.57 | \$455.47 | \$273.28 | \$0.00 | \$182.19 | \$235.74 | (\$53.55) | -23% | 1,471 |
| Retiree & NME SP | 1,036.33 | 47.57 | 1,083.90 | 524.66 | 0.00 | 559.25 | 575.88 | (16.63) | -3% | 520 |
| Retiree & Child(ren) | 632.35 | 47.57 | 679.92 | 363.06 | 0.00 | 316.86 | 439.84 | (122.98) | -28% | 61 |
| Retiree & NME SP&CH | 1,148.57 | 47.57 | 1,196.14 | 569.55 | 0.00 | 626.59 | 916.72 | (290.13) | -32% | 40 |
| Retiree & ME SP | 750.28 | 47.57 | 797.85 | 410.24 | 0.00 | 387.62 | 401.54 | (13.92) | -3% | 5 |
| Retiree & ME SP & CH | 974.74 | 47.57 | 1,022.31 | 500.02 | 0.00 | 522.29 | 606.77 | (84.48) | -14% | - |
| Est. Monthly Total (\$ mil) | \$1.2 | \$0.1 | \$1.3 | \$0.7 | \$0.0 | \$0.6 | \$0.7 | (\$0.1) | | 2,098 |
| Medicare Eligible | | | | | | | | | | |
| Retiree Only | \$342.38 | \$29.70 | \$372.08 | \$223.25 | \$0.00 | \$148.83 | \$117.12 | \$31.71 | 27% | 4,796 |
| Retiree & NME SP | 750.28 | 29.70 | 779.98 | 410.24 | 0.00 | 369.75 | 446.72 | (76.97) | -17% | 358 |
| Retiree & Child(ren) | 566.84 | 29.70 | 596.54 | 313.03 | 0.00 | 283.51 | 314.86 | (31.35) | -10% | 52 |
| Retiree & NME SP&CH | 974.74 | 29.70 | 1,004.44 | 500.02 | 0.00 | 504.42 | 644.48 | (140.06) | -22% | 25 |
| Retiree & ME SP | 684.77 | 29.70 | 714.47 | 360.20 | 0.00 | 354.26 | 278.49 | 75.77 | 27% | 2,026 |
| Retiree & ME SP & CH | 909.22 | 29.70 | 938.92 | 449.99 | 0.00 | 488.94 | 476.24 | 12.70 | 3% | 24 |
| Est. Monthly Total (\$ mil) | \$3.4 | \$0.2 | \$3.6 | \$2.0 | \$0.0 | \$1.6 | \$1.3 | \$0.3 | | 7,281 |
| Total (Est. Monthly) | \$4.6 | \$0.3 | \$4.9 | \$2.7 | \$0.0 | \$2.2 | \$2.0 | \$0.2 | | 9,379 |
| Total (Est. Annual) | \$55.2 | \$3.8 | \$59.0 | \$32.5 | \$0.0 | \$26.5 | \$24.5 | \$2.0 | | |

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



Rating Options

What to Blend:

- 1) Do you want to blend experience between benefit options for determining rates?
- 2) Do you want to blend gains / losses between benefit options?

Blending Options:

- ASE vs PSE
- Gold / Silver / Bronze
- Medical / Pharmacy

If Blending, do you want total rates and/or employee contributions to reflect:

- Demographic/risk differences
- Geographic differences
- Network differences

Answers will affect allocation of State & Reserve dollars



Appendices



Appendix A – PSE Actives

10/1/10-12/31/12 Final Rate Details

| Actives | Medical and Pharmacy* | Expenses | Corp Health | Retirement Subsidy | Base Monthly Premium | Act 1842 Contrib. | Act 1421 Contrib. | Res. Alloc. | School District Contrib. | 2011 EE Total Cost | 2010 EE Total Cost | Change in Premiums (\$ / %) | Assumed Enrollment |
|-----------------------------|-----------------------|----------|-------------|--------------------|----------------------|-------------------|-------------------|-------------|--------------------------|--------------------|--------------------|-----------------------------|--------------------|
| Health Advantage | | | | | | | | | | | | | |
| Employee Only | \$347.70 | \$37.84 | \$6.04 | \$11.20 | \$402.78 | \$57.97 | \$24.94 | \$18.53 | \$131.00 | \$170.34 | \$152.69 | \$17.65 12% | 30,042 |
| Employee & Spouse | 1,032.36 | 37.84 | 9.08 | 11.20 | 1,090.48 | 103.06 | 44.17 | 40.51 | 131.00 | 771.74 | 721.45 | 50.29 7% | 1,557 |
| Employee & Child(ren) | 653.29 | 37.84 | 7.86 | 11.20 | 710.19 | 78.96 | 33.84 | 29.52 | 131.00 | 436.87 | 406.05 | 30.82 8% | 5,134 |
| Family | 1,036.06 | 37.84 | 13.08 | 11.20 | 1,098.18 | 106.73 | 45.75 | 40.88 | 131.00 | 773.82 | 723.40 | 50.42 7% | 1,795 |
| Est. Monthly Total (mil \$) | \$17.3 | \$1.5 | \$0.3 | \$0.4 | \$19.4 | \$2.5 | \$1.1 | \$0.8 | \$5.0 | \$10.0 | \$9.1 | \$0.9 | 38,528 |
| NovaSys | | | | | | | | | | | | | |
| Employee Only | \$385.00 | \$24.21 | \$6.04 | \$11.20 | \$426.44 | \$57.97 | \$24.94 | \$18.53 | \$131.00 | \$194.00 | \$173.33 | \$20.67 12% | 2,962 |
| Employee & Spouse | 1,113.21 | 24.21 | 9.08 | 11.20 | 1,157.70 | 103.06 | 44.17 | 40.51 | 131.00 | 838.96 | 779.05 | 59.91 8% | 116 |
| Employee & Child(ren) | 710.43 | 24.21 | 7.86 | 11.20 | 753.70 | 78.96 | 33.84 | 29.52 | 131.00 | 480.38 | 443.21 | 37.17 8% | 520 |
| Family | 1,117.23 | 24.21 | 13.08 | 11.20 | 1,165.72 | 106.73 | 45.75 | 40.88 | 131.00 | 841.36 | 781.20 | 60.16 8% | 182 |
| Est. Monthly Total (mil \$) | \$1.8 | \$0.1 | \$0.0 | \$0.0 | \$2.0 | \$0.2 | \$0.1 | \$0.1 | \$0.5 | \$1.1 | \$1.0 | \$0.1 | 3,780 |
| NovaSys HD PPO | | | | | | | | | | | | | |
| Employee Only | \$206.10 | \$24.21 | \$6.04 | \$11.20 | \$247.54 | \$57.97 | \$24.94 | \$18.53 | \$131.00 | \$15.10 | \$48.19 | (\$33.09) -69% | 1,855 |
| Employee & Spouse | 607.35 | 24.21 | 9.08 | 11.20 | 651.84 | 103.06 | 44.17 | 40.51 | 131.00 | 333.10 | 429.93 | (96.83) -23% | 154 |
| Employee & Child(ren) | 385.42 | 24.21 | 7.86 | 11.20 | 428.68 | 78.96 | 33.84 | 29.52 | 131.00 | 155.36 | 217.98 | (62.62) -29% | 241 |
| Family | 609.56 | 24.21 | 13.08 | 11.20 | 658.06 | 106.73 | 45.75 | 40.88 | 131.00 | 333.70 | 430.84 | (97.14) -23% | 293 |
| Est. Monthly Total (mil \$) | \$0.7 | \$0.1 | \$0.0 | \$0.0 | \$0.9 | \$0.2 | \$0.1 | \$0.1 | \$0.3 | \$0.2 | \$0.3 | -\$0.1 | 2,543 |
| Total (Monthly) (mil \$) | \$19.9 | \$1.6 | \$0.3 | \$0.5 | \$22.3 | \$2.9 | \$1.3 | \$1.0 | \$5.9 | \$11.2 | \$10.4 | \$0.8 | 44,851 |
| Est. Annual Total (mil \$) | \$238.3 | \$19.3 | \$3.6 | \$6.0 | \$267.3 | \$35.0 | \$15.0 | \$11.8 | \$70.5 | \$134.9 | \$124.9 | \$10.0 | |



Appendix A – PSE Retirees 2011 Final Rate Details

| Retirees | Medical | Prescription Drug | Corp Health | | Total Monthly Premium | Subsidy from Active Employees | Reserve Allocation | | | 2010 Total Cost | 2009 Total Cost | Change in Retiree Premiums (\$ / %) | Assumed Enrollment |
|------------------------------|----------|-------------------|-------------|--|-----------------------|-------------------------------|--------------------|--|--|-----------------|-----------------|-------------------------------------|--------------------|
| Non-Medicare Eligible | | | | | | | | | | | | | |
| Retiree Only | \$413.54 | \$37.84 | \$6.04 | | \$457.42 | \$0.00 | | | | \$457.42 | \$527.62 | (\$70.20) -13% | 1,818 |
| Retiree & NME SP | 1,105.09 | 37.84 | 9.08 | | 1,152.01 | 0.00 | | | | 1,152.01 | 1,213.72 | (\$61.71) -5% | 204 |
| Retiree & Child(ren) | 722.58 | 37.84 | 7.86 | | 768.28 | 0.00 | | | | 768.28 | 939.28 | (\$171.00) -18% | 11 |
| Retiree & NME SP&CH | 1,108.90 | 37.84 | 13.08 | | 1,159.82 | 0.00 | | | | 1,159.82 | 1,900.80 | (\$740.98) -39% | 2 |
| Retiree & ME SP | 552.96 | 37.84 | 6.04 | | 596.82 | 0.00 | | | | 596.82 | 609.70 | (\$12.88) -2% | - |
| Retiree & ME SP & CH | 862.01 | 37.84 | 7.86 | | 907.71 | 0.00 | | | | 907.71 | 1,004.01 | (\$96.30) -10% | - |
| Est. Monthly Total (mil \$) | \$1.0 | \$0.1 | \$0.0 | | \$1.1 | \$0.0 | | | | \$1.1 | \$1.2 | -\$0.1 | 2,035 |
| Medicare Eligible | | | | | | | | | | | | | |
| Retiree Only | \$134.75 | \$15.41 | Not Offered | | \$150.16 | \$108.72 | | | | \$41.44 | \$41.44 | \$0.00 0% | 4,739 |
| Retiree & NME SP | 552.96 | 15.41 | Not Offered | | 568.37 | - | | | | 568.37 | 674.34 | (\$105.97) -16% | 136 |
| Retiree & Child(ren) | 443.79 | 15.41 | Not Offered | | 459.20 | 38.03 | | | | 421.17 | 421.17 | \$0.00 0% | 12 |
| Retiree & NME SP&CH | 862.01 | 15.41 | Not Offered | | 877.42 | - | | | | 877.42 | 1,054.07 | (\$176.65) -17% | 3 |
| Retiree & ME SP | 269.50 | 15.41 | Not Offered | | 284.91 | 114.32 | | | | 170.59 | 170.59 | \$0.00 0% | 440 |
| Retiree & ME SP & CH | 578.55 | 15.41 | Not Offered | | 593.96 | 43.64 | | | | 550.32 | 550.32 | \$0.00 0% | 2 |
| Est. Monthly Total (mil \$) | \$0.8 | \$0.1 | \$0.0 | | \$0.9 | \$0.6 | | | | \$0.4 | \$0.4 | \$0.0 | 5,332 |
| Total (Est. Monthly) | \$1.8 | \$0.2 | \$0.0 | | \$2.0 | \$0.6 | | | | \$1.4 | \$1.6 | (\$0.2) | 7,367 |
| Est. Annual Total (mil \$) | \$21.9 | \$1.9 | \$0.2 | | \$24.0 | \$6.8 | | | | \$17.2 | \$19.1 | -\$1.9 | |



Appendix A – ASE Actives 2011 Final Rate Details

| Actives | Medical and Pharmacy | Expenses | Corp Health | Total Monthly Premium | State Contributions | Reserve Allocation | 2011 EE Total Cost | 2010 EE Total Cost | Change in Premiums (\$ / %) | | Assumed Enrollment |
|-----------------------------|----------------------|----------|-------------|-----------------------|---------------------|--------------------|--------------------|--------------------|-----------------------------|------|--------------------|
| Health Advantage | | | | | | | | | | | |
| Employee Only | \$359.09 | \$36.47 | \$6.00 | \$401.56 | \$305.78 | \$0.00 | \$95.78 | \$95.78 | \$0.00 | 0% | 14,614 |
| Employee & Spouse | 912.33 | 36.47 | 12.00 | 960.80 | 593.06 | 0.00 | 367.74 | 367.74 | 0.00 | 0% | 3,563 |
| Employee & Child(ren) | 556.69 | 36.47 | 9.60 | 602.76 | 409.12 | 0.00 | 193.64 | 193.64 | 0.00 | 0% | 4,217 |
| Family | 1,011.13 | 36.47 | 19.80 | 1,067.40 | 647.78 | 0.00 | 419.62 | 419.62 | 0.00 | 0% | 3,134 |
| Est. Monthly Total (\$ mil) | \$14.0 | \$0.9 | \$0.2 | \$15.2 | \$10.3 | \$0.0 | \$4.8 | \$4.8 | \$0.0 | | 25,528 |
| NovaSys | | | | | | | | | | | |
| Employee Only | \$399.13 | \$22.84 | \$6.00 | \$427.97 | \$305.78 | \$0.00 | \$122.19 | \$96.36 | \$25.83 | 27% | 756 |
| Employee & Spouse | 991.81 | 22.84 | 12.00 | 1,026.65 | 593.06 | 0.00 | 433.59 | 369.18 | 64.41 | 17% | 141 |
| Employee & Child(ren) | 610.82 | 22.84 | 9.60 | 643.26 | 409.12 | 0.00 | 234.14 | 194.54 | 39.60 | 20% | 209 |
| Family | 1,097.65 | 22.84 | 19.80 | 1,140.29 | 647.78 | 0.00 | 492.50 | 421.22 | 71.28 | 17% | 121 |
| Est. Monthly Total (\$ mil) | \$0.7 | \$0.0 | \$0.0 | \$0.7 | \$0.5 | \$0.0 | \$0.3 | \$0.2 | \$0.0 | | 1,227 |
| NovaSys HD PPO | | | | | | | | | | | |
| Employee Only | \$284.10 | \$22.84 | \$6.00 | \$312.94 | \$305.78 | \$0.00 | \$7.16 | \$20.60 | (\$13.44) | -65% | 578 |
| Employee & Spouse | 712.24 | 22.84 | 12.00 | 747.08 | 593.06 | 0.00 | 154.02 | 187.34 | (33.32) | -18% | 127 |
| Employee & Child(ren) | 437.01 | 22.84 | 9.60 | 469.45 | 409.12 | 0.00 | 60.33 | 80.86 | (20.53) | -25% | 103 |
| Family | 788.69 | 22.84 | 19.80 | 831.33 | 647.78 | 0.00 | 183.54 | 220.42 | (36.88) | -17% | 120 |
| Est. Monthly Total (\$ mil) | \$0.4 | \$0.0 | \$0.0 | \$0.4 | \$0.4 | \$0.0 | \$0.1 | \$0.1 | (\$0.0) | | 928 |
| Total (Monthly) (\$ mil) | \$15.1 | \$1.0 | \$0.3 | \$16.3 | \$11.2 | \$0.0 | \$5.2 | \$5.1 | \$0.0 | | 27,683 |
| Est Annual Total (\$ mil) | \$181.3 | \$11.8 | \$3.0 | \$196.1 | \$134.3 | \$0.0 | \$61.9 | \$61.5 | \$0.3 | | |



Appendix A – ASE Retirees 2011 Final Rate Details

| Retirees | Medical and Pharmacy | Expenses | Corp Health | Total Monthly Premium | State Contributions | Reserve Allocation | 2011 Ret. Total Cost | 2010 Ret. Total Cost | Change in Premiums (\$ / %) | | Assumed Enrollment |
|------------------------------|----------------------|----------|-------------|-----------------------|---------------------|--------------------|----------------------|----------------------|-----------------------------|----|--------------------|
| Non-Medicare Eligible | | | | | | | | | | | |
| Retiree Only | \$359.09 | \$36.47 | \$6.00 | \$401.56 | \$165.82 | \$0.00 | \$235.74 | \$235.74 | \$0.00 | 0% | 1,360 |
| Retiree & NME SP | 912.33 | 36.47 | 12.00 | 960.80 | 384.92 | 0.00 | 575.88 | 575.88 | 0.00 | 0% | 488 |
| Retiree & Child(ren) | 556.69 | 36.47 | 9.60 | 602.76 | 162.92 | 0.00 | 439.84 | 439.84 | 0.00 | 0% | 57 |
| Retiree & NME SP&CH | 1,011.13 | 36.47 | 19.80 | 1,067.40 | 150.68 | 0.00 | 916.72 | 916.72 | 0.00 | 0% | 33 |
| Retiree & ME SP | 696.35 | 36.47 | 6.00 | 738.82 | 337.28 | 0.00 | 401.54 | 401.54 | 0.00 | 0% | - |
| Retiree & ME SP & CH | 893.94 | 36.47 | 9.60 | 940.01 | 333.24 | 0.00 | 606.77 | 606.77 | 0.00 | 0% | - |
| Est. Monthly Total (\$ mil) | \$1.0 | \$0.1 | \$0.0 | \$1.1 | \$0.4 | \$0.0 | \$0.7 | \$0.7 | \$0.0 | | 1,938 |
| Medicare Eligible | | | | | | | | | | | |
| Retiree Only | \$332.33 | \$15.41 | Not Offered | \$347.74 | \$230.62 | \$0.00 | \$117.12 | \$117.12 | \$0.00 | 0% | 4,641 |
| Retiree & NME SP | 696.35 | 15.41 | Not Offered | 711.76 | 265.04 | 0.00 | 446.72 | 446.72 | 0.00 | 0% | 533 |
| Retiree & Child(ren) | 529.93 | 15.41 | Not Offered | 545.34 | 230.48 | 0.00 | 314.86 | 314.86 | 0.00 | 0% | 44 |
| Retiree & NME SP&CH | 893.94 | 15.41 | Not Offered | 909.35 | 264.87 | 0.00 | 644.48 | 644.48 | 0.00 | 0% | 27 |
| Retiree & ME SP | 664.67 | 15.41 | Not Offered | 680.08 | 401.59 | 0.00 | 278.49 | 278.49 | 0.00 | 0% | 1,785 |
| Retiree & ME SP & CH | 862.27 | 15.41 | Not Offered | 877.68 | 401.44 | 0.00 | 476.24 | 476.24 | 0.00 | 0% | 16 |
| Est. Monthly Total (\$ mil) | \$3.2 | \$0.1 | \$0.0 | \$3.3 | \$2.0 | \$0.0 | \$1.3 | \$1.3 | \$0.0 | | 7,045 |
| Total (Est. Monthly) | \$4.2 | \$0.2 | \$0.0 | \$4.4 | \$2.4 | \$0.0 | \$2.0 | \$2.0 | \$0.0 | | 8,983 |
| Total (Est. Annual) | \$49.9 | \$2.2 | \$0.2 | \$52.2 | \$28.6 | \$0.0 | \$23.7 | \$23.7 | \$0.0 | | |



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, starting from 1/1/2012 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 and expected vendor fees plus estimated EBD expenses.

Total Rate Projection Assumptions:

Population Projection: Same as Enrollment on 3/31/2011

Investment return*:

0%

ASE / PSE Annual Trend*:

| | <u>Medical</u> | <u>Behavioral Health</u> | <u>Pharmacy</u> | <u>Life</u> | <u>Expenses</u> |
|----------------------|----------------|--------------------------|-----------------|-------------|-----------------|
| Non-Medicare: | 8.00% | 0.00% | 5.50% | 0.00% | 0.00% |
| Medicare: | 7.50% | 0.00% | 5.50% | 0.00% | 0.00% |

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

ASE / PSE Benefit Ratio: As Shown on Rating Worksheet

ASE / PSE Change in Geo Factors: As Shown on Rating Worksheet

ASE / PSE Change in Demo Factors: As Shown on Rating Worksheet

ASE / PSE Change in Network: As Shown on Rating Worksheet

Expenses:

| Per Subscriber Per Month | <u>Actives</u> <u>Health Advantage</u> | <u>Actives</u> <u>NovaSys</u> | <u>Retirees</u> <u>Non-Medicare</u> | <u>Retirees</u> <u>Medicare</u> | <u>EBD*</u> |
|--------------------------|---|----------------------------------|--|------------------------------------|-------------|
| ASE 2010 | \$27.13 | \$13.90 | \$20.74 | \$15.41 | \$8.34 |
| ASE 2011 | \$27.53 | \$13.90 | \$20.74 | \$15.41 | \$7.80 |
| ASE 2012 | \$29.70 | \$29.70 | \$29.70 | \$29.70 | \$16.72 |
| PSE 2010 | \$27.13 | \$13.90 | \$20.74 | \$15.41 | \$6.21 |
| PSE 2011 | \$27.53 | \$13.90 | \$20.74 | \$15.41 | \$9.26 |
| PSE 2012 | \$29.70 | \$29.70 | \$29.70 | \$29.70 | \$10.41 |

* Assumed to include UAM expenses (both Rx and Medical), EAP, weight management, smoking cessation, and Integrail cost. This applies to Actives for 2010, and for Actives & NME retirees thereafter.

Rx Rebates: None Assumed

Part D Subsidy: The Part D Subsidy is assumed to be approximately 15.5% of Incurred Rx Claims

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 (Cont.)

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.

ASE / PSE Paid-to-Date Claims:

Health Advantage: Service dates from January 1, 2010 to December 31, 2010 and process dates from January 1, 2009 to February 28, 2011.
 NovaSys: Service dates from January 1, 2010 to February 28, 2011 and process dates from January 1, 2009 to February 28, 2011.
 Pharmacy: Service dates from January 1, 2010 to February 28, 2011 and process dates from January 1, 2009 to February 28, 2011.

ASE / PSE Completion Factors:

Health Advantage: We used the data from lag reports with service dates from January 1, 2008 to February 28, 2011 and process dates from January 1, 2008 to February 28, 2011 to develop the completion factors.
 NovaSys: We used the individual claims database with service dates from January 1, 2008 to February 28, 2011 and process dates from January 1, 2008 to February 28, 2011 to develop the completion factors. We aggregated 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 February 28, 2011 and process dates from January 1, 2008 to February 28, 2011 to develop the completion factors. We aggregated the data by network provider and major rate structure (Actives, Non-Medicare Retirees v. Medicare Retirees)

| ASE | Health Advantage | NovaSys | HD PPO | Pharmacy | ARHealth Non-Medicare Retirees | Pharmacy Non-Medicare Retirees | ARHealth Medicare Retirees | Pharmacy Medicare Retirees |
|-----|------------------|---------|--------|----------|--------------------------------|--------------------------------|----------------------------|----------------------------|
| | January-10 | 0.999 | 0.994 | 0.978 | 1.000 | 1.000 | 0.997 | 1.000 |
| | February-10 | 0.999 | 0.992 | 0.977 | 1.000 | 0.999 | 0.996 | 1.000 |
| | March-10 | 0.998 | 0.991 | 0.973 | 1.000 | 0.998 | 0.999 | 1.000 |
| | April-10 | 0.998 | 0.990 | 0.973 | 1.000 | 0.998 | 0.999 | 1.000 |
| | May-10 | 0.996 | 0.988 | 0.969 | 1.000 | 0.997 | 0.998 | 1.000 |
| | June-10 | 0.995 | 0.984 | 0.967 | 1.000 | 0.997 | 0.997 | 1.000 |
| | July-10 | 0.995 | 0.982 | 0.963 | 1.000 | 0.986 | 0.996 | 1.000 |
| | August-10 | 0.993 | 0.976 | 0.951 | 0.999 | 0.986 | 0.996 | 0.999 |
| | September-10 | 0.988 | 0.967 | 0.920 | 0.999 | 0.980 | 0.995 | 0.999 |
| | October-10 | 0.978 | 0.956 | 0.898 | 0.999 | 0.972 | 0.994 | 0.999 |
| | November-10 | 0.946 | 0.906 | 0.854 | 0.999 | 0.959 | 0.993 | 0.998 |
| | December-10 | 0.896 | 0.865 | 0.821 | 0.999 | 0.912 | 0.992 | 0.998 |
| | January-11 | 0.755 | 0.686 | 0.658 | 0.999 | 0.763 | 0.991 | 0.997 |
| | February-11 | 0.252 | 0.191 | 0.162 | 0.999 | 0.237 | 0.991 | 0.997 |

| PSE | Health Advantage | NovaSys | HD PPO | Pharmacy | ARHealth Non-Medicare Retirees | Pharmacy Non-Medicare Retirees | ARHealth Medicare Retirees | Pharmacy Medicare Retirees |
|-----|------------------|---------|--------|----------|--------------------------------|--------------------------------|----------------------------|----------------------------|
| | January-10 | 0.998 | 0.999 | 0.994 | 1.000 | 0.996 | 1.000 | 1.000 |
| | February-10 | 0.998 | 0.999 | 0.994 | 1.000 | 0.995 | 1.000 | 1.000 |
| | March-10 | 0.998 | 0.997 | 0.992 | 1.000 | 0.995 | 1.000 | 1.000 |
| | April-10 | 0.997 | 0.996 | 0.992 | 1.000 | 0.991 | 1.000 | 1.000 |
| | May-10 | 0.996 | 0.995 | 0.991 | 1.000 | 0.990 | 1.000 | 1.000 |
| | June-10 | 0.993 | 0.993 | 0.989 | 1.000 | 0.989 | 1.000 | 1.000 |
| | July-10 | 0.992 | 0.992 | 0.986 | 1.000 | 0.985 | 1.000 | 1.000 |
| | August-10 | 0.990 | 0.988 | 0.978 | 1.000 | 0.982 | 1.000 | 1.000 |
| | September-10 | 0.984 | 0.984 | 0.965 | 0.999 | 0.970 | 1.000 | 1.000 |
| | October-10 | 0.972 | 0.977 | 0.919 | 0.999 | 0.955 | 1.000 | 1.000 |
| | November-10 | 0.951 | 0.964 | 0.893 | 0.999 | 0.940 | 1.000 | 1.000 |
| | December-10 | 0.889 | 0.928 | 0.811 | 0.999 | 0.894 | 1.000 | 1.000 |
| | January-11 | 0.743 | 0.774 | 0.645 | 0.999 | 0.745 | 1.000 | 1.000 |
| | February-11 | 0.244 | 0.228 | 0.166 | 0.999 | 0.250 | 1.000 | 1.000 |

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



Appendix B

Assumptions & Methods (Cont.)

Rating Tier Methodology:

To develop the rates by family status, we take the prior approved rating tier factors and multiply them by a factor to adjust for the current enrollment selection for each of the major groupings: Active - Health Advantage, Actives: NovaSys, Actives - HD PPO, Non-Medicare Retirees, and Medicare Retirees. We further adjusted the mixed split with a Medicare and Non-Medicare covered adult to be the same.

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:

| | <u>Actives</u> | <u>Retirees</u> | | |
|---|----------------|-----------------|---|-------|
| Previously adopted reserves allocations: | | | | |
| ASE / PSE 2010: | \$0.00 | \$0.00 | | |
| ASE / PSE 2011: | \$0.00 | \$0.00 | | |
| ASE / PSE 2012: | \$0.00 | \$0.00 | | |
| <u>ASE</u> | | | <u>PSE</u> | |
| State Contribution per Budget Position per Month: | \$390 | | District Contribution per Enrolled per Month: | \$131 |
| Interest Income: | \$0 | | Additional State Contributions (in Millions): | \$50 |
| | | | Interest Income: | \$0 |

* Unless otherwise shown in the screen capture.

Standard Statements:

Reliance Statement: In preparing our report, we relied without audit, on information (some oral and some written) supplied by the Employee Benefits Division and the Plan's vendors. This information includes, but is not limited to, the plan provisions, employee data, and financial information.

Results presented in this presentation are preliminary and should not be used for final rates.



Appendix B

Assumptions & Methods (Cont.)

| 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: | 8.00% | 8.00% | 8.00% | Use either Medicare or Non-Medicare Factors | 0.00% | 8.50% | 0.00% | 0.00% |
| Medicare: | 5.00% | 5.00% | 5.00% | | 0.00% | 8.50% | 0.00% | 0.00% |
| Large Claims: | 0.00% | 0.00% | 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: 1.27%
(with retirees the trend rate is even lower)
- 2 Rx Incurred All Plan Cost CY09 v. CY08: 1.17%

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>Rx</u> | <u>Weights</u> |
| Utilization for 20 month: | 2.20% | 103.7% | Generic* | 50% |
| Price for 12 month: | 0.00% | 100.0% | Brand* | 30% |
| Price for 9 month: | 7.00% | 105.2% | Specialty* | 20% |
| | 5.10% | 109.1% | | 8.4% |

* Includes shifts in utilization



Appendix C – Detail Trend Analysis

| AR Health - Preliminary PSE Trend Development | | | | | | | | | | | | |
|---|-------------------|-------------------|---------------------------------|-----------------------------|----------------------------|---|---------------------------------------|---|-----------------------------------|---|--|--|
| | A | B | C | D | E | F | G | H | I | | | |
| Experience Period: | CY2010/ CY2009 | CY2010/ CY2009 | CY2010/ CY2009 | 1/10 v 1/09 | 1/10 v 1/09 | CY2010/ CY2009 | CY2010/ CY2009 | same as F CY2010/ CY2009 | same as G PY2011/ PY 2010 | PY11/PY10 Adjustment | Used for CY 2011 rates | Recommended CY 2012 rates |
| Type of Claims: | Paid PMPM | Incurred PMPM | Incurred Benefit Changes* | Incurred Demo Changes | Incurred Geo Changes | Underlying Incurred Util & Price Trend | Incurred Potential Future Trend | Underlying Paid Util & Price Trend | Paid Potential Future Trend | Marketplace Potential & Other Factors | Incurred Annual Trend Assumption | Incurred Annual Trend Assumption |
| Medical - Actives and NME Retirees | Actual | Actual | Changes* | Changes | Changes | Trend | Future Trend | Trend | Future Trend | | | |
| 1 Health Advantage | 3.5% | 5.0% | 0.9% | 0.6% | -0.4% | 3.9% | 4.1% | 2.5% | 2.6% | | | |
| 2 Novasys | 10.4% | 16.9% | 0.9% | 3.2% | 0.8% | 11.4% | 15.9% | 5.1% | 9.4% | | | |
| 3 Novasys HD | -4.5% | 3.9% | 0.9% | -1.3% | 0.1% | 4.2% | 3.0% | -4.2% | -5.3% | | | |
| 4 Medical - Actives and NME | 4.0% | 6.3% | 0.9% | 0.9% | -0.3% | 4.7% | 5.3% | 2.4% | 3.1% | | | |
| 5 Medical - ME Retirees | 2.4% | 5.5% | 0.0% | -2.3% | 0.0% | 8.0% | 5.5% | 4.8% | 2.4% | 2.5% | 5.0% | 8.0% |
| 6 Rx - Actives and NME Retirees** | -0.9% | 2.3% | 0.0% | 0.7% | -0.3% | 1.9% | 2.3% | -1.3% | -0.9% | 3.0% | 8.5% | 5.5% |
| * based on adjustment factors for plan years (starting 10/1) for Actives and calendar year changes for retirees from previous Milliman rating work. | | | | | | | | | | | | |
| ** blended based on medical claims | | | | | | | | | | | | |

| AR Health - Preliminary ASE Trend Development | | | | | | | | | | | | |
|---|-------------------|-------------------|---------------------------------|-----------------------------|----------------------------|---|---------------------------------------|---|-----------------------------------|---|--|--|
| | A | B | C | D | E | F | G | H | I | | | |
| Experience Period: | CY2010/ CY2009 | CY2010/ CY2009 | CY2010/ CY2009 | 1/10 v 1/09 | 1/10 v 1/09 | CY2010/ CY2009 | CY2010/ CY2009 | same as F CY2010/ CY2009 | same as G PY2011/ PY 2010 | PY11/PY10 Adjustment | Used for CY 2011 rates | Recommended CY 2012 rates |
| Type of Claims: | Paid PMPM | Incurred PMPM | Incurred Benefit Changes* | Incurred Demo Changes | Incurred Geo Changes | Underlying Incurred Util & Price Trend | Incurred Potential Future Trend | Underlying Paid Util & Price Trend | Paid Potential Future Trend | Marketplace Potential & Other Factors | Incurred Annual Trend Assumption | Incurred Annual Trend Assumption |
| Medical - Actives and NME Retirees | Actual | Actual | Changes* | Changes | Changes | Trend | Future Trend | Trend | Future Trend | | | |
| 1 Health Advantage | 5.4% | 8.0% | 0.9% | 0.9% | 0.1% | 6.0% | 7.0% | 3.5% | 4.4% | | | |
| 2 Novasys | -12.1% | 7.3% | 0.9% | 3.2% | 0.7% | 2.4% | 6.4% | -16.1% | -12.8% | | | |
| 3 Novasys HD | 26.1% | -2.4% | 0.9% | -0.4% | 0.2% | -3.0% | -3.2% | 25.2% | 24.9% | | | |
| 4 Medical - Actives and NME | 4.6% | 7.8% | 0.9% | 1.2% | 0.1% | 5.4% | 6.8% | 2.3% | 3.7% | | | |
| 5 Medical - ME Retirees | 6.3% | 8.8% | 0.0% | -0.2% | 0.0% | 9.0% | 8.8% | 6.6% | 6.3% | 2.5% | 5.0% | 8.0% |
| 6 Rx - Actives and NME Retirees** | 0.0% | 3.5% | 0.0% | 1.2% | 0.0% | 2.3% | 3.5% | -1.1% | 0.0% | 3.0% | 8.5% | 5.5% |
| * based on adjustment factors for plan years (starting 10/1) for Actives and calendar year changes for retirees from previous Milliman rating work. | | | | | | | | | | | | |
| ** blended based on medical claims | | | | | | | | | | | | |



Appendix D - Gain / Loss

Reconciliation of CY 2010 ASE Net Income/(Loss)

- From the December 2010 Financial Report (Year-to-date)

| | <u>\$ in Millions</u> |
|----------------------------------|-----------------------|
| Net Income/(Loss) | \$ 22.8 |
| Reserves Allocated | - |
| Net Income/(Loss) After Reserves | \$ 22.8 |

- Where did the \$22.8 million come from?

Items that are not assumed to repeat

| | |
|---|---------------|
| Net Income/(Loss) from Retirees | \$ 2.6 |
| Investment, penalties, other unanticipated income | <u>\$ 6.6</u> |
| TOTAL | \$ 9.2 |

Items that may affect 2012 rates

| | |
|--|----------------|
| Medical experience better than projected from 2008 | \$ 7.2 |
| Pharmacy experience better than projected from 2008 | \$ 7.3 |
| Behavioral Health premiums above projected from 2008 | <u>\$ 1.6</u> |
| TOTAL | \$ 16.1 |
| <i>Percent of 2010 expenses</i> | 6.7% |

| | |
|--------------------|-----------------------|
| GRAND TOTAL | <u>\$ 22.8</u> |
|--------------------|-----------------------|



Appendix D - Gain / Loss (Cont.)

Reconciliation of 2009-2010 PSE Net Income/(Loss)

- From the September 2010 Financial Report (Year-to-date)

| | <u>\$ in Millions</u> |
|----------------------------------|-----------------------|
| Net Income/(Loss) | \$ (1.5) |
| Reserves Allocated | 6.5 |
| Net Income/(Loss) After Reserves | \$ 5.0 |

- Where did the \$5.0 million come from?

Items that are not assumed to repeat

| | |
|---|---------------|
| Active Enrollment different from projected | \$ (1.3) |
| Net Income from Retirees | \$ 0.9 |
| Investment, penalties, other unanticipated income | \$ 3.7 |
| TOTAL | \$ 3.3 |

Items that may affect 2012 rates

| | |
|---|---------------|
| Medical experience worse than projected from 2008 | \$ (1.3) |
| Pharmacy experience better than projected from 2008 | \$ 2.2 |
| Behavioral Health premiums lower than projected from 2008 | \$ 0.9 |
| TOTAL | \$ 1.8 |

Percent of 2009-10 expenses

0.7%

| | |
|--------------------|----------------------|
| GRAND TOTAL | <u>\$ 5.0</u> |
|--------------------|----------------------|