

Arkansas State Employees & Public School Employees Health Benefits Program



Classic Values, Innovative Advice

Funding and Contribution Rate Projections

August 24, 2016
Task Force Meeting

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Topics



	<u>Page</u>
• Highlights of Rate Setting Discussions	2
• Plan Funding	3
• 2017 Decisions vs 2018+	4
• PSE Information	5
• ASE Information	10
• Plan Design	15
• 2017 Contribution Rate Scenarios	17
• Considerations for 2018	24

Appendices

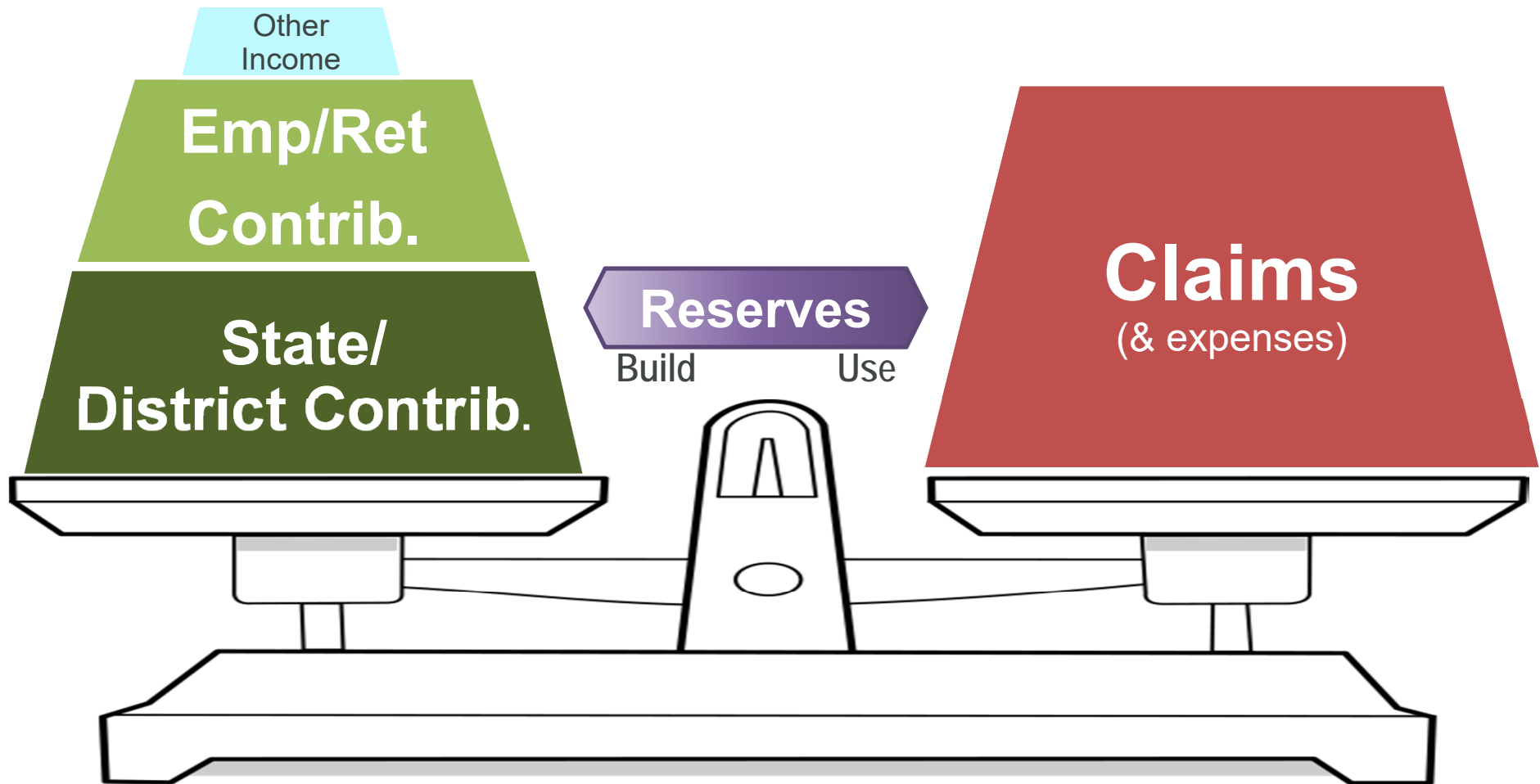
A. Other Rate Increase Scenarios	26
B. Pharmacy Reimbursement	32
C. Medicare Prescriptions Drug Plans	33
D. Assumptions, Use & Disclosures	34

Highlights of Rate Setting Discussions



- Increase in utilization across medical services consistent with sign of 2016 being a “rebound year”
 - Following 3 years of favorable trends
- Both ASE & PSE have enough reserves to keep employee/retiree contributions unchanged for 2017
 - Elimination of unfilled budgeted positions without a compensating increase in the ASE State Contribution rate will accelerate depletion of ASE reserves.
- Significant increases in employee/retiree contributions are expected in future years without increases to State/District contributions or changes in benefits
 - ASE likely to see significant increase in 2018; PSE in 2019.
 - Increases in contribution rates for 2017 help preserve reserves for future years.
 - Changing approach to ASE Medicare Pharmacy benefits worth considering for 2018 but benefits committee felt 2017 was too soon.
 - Requests for additional state contributions should be made for both ASE & PSE.
- Final Board Decisions
 - 2% contribution rate increase for PSE, 3% for ASE
 - No benefit changes for 2017.

Plan Funding

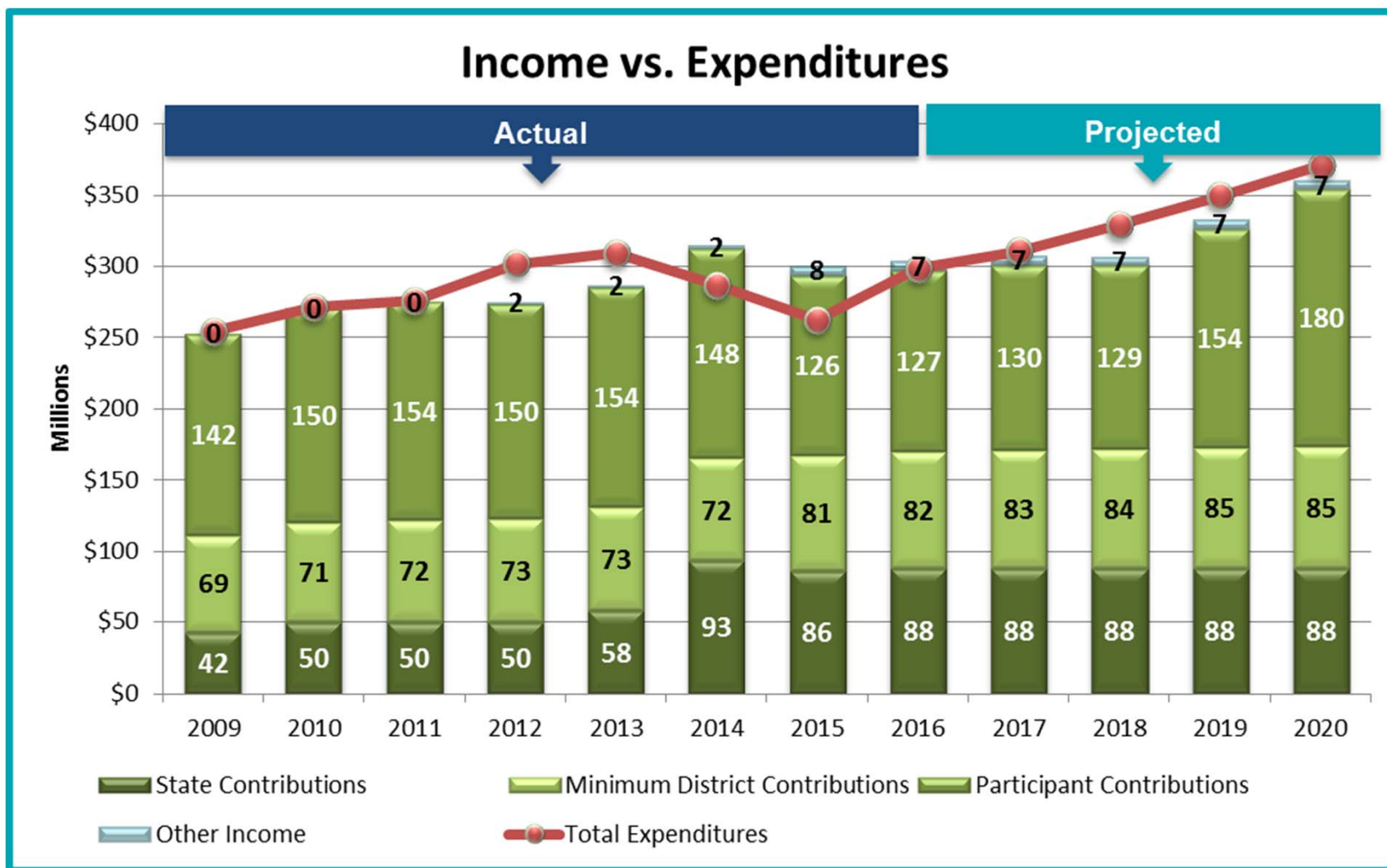


2017 Decisions vs 2018+

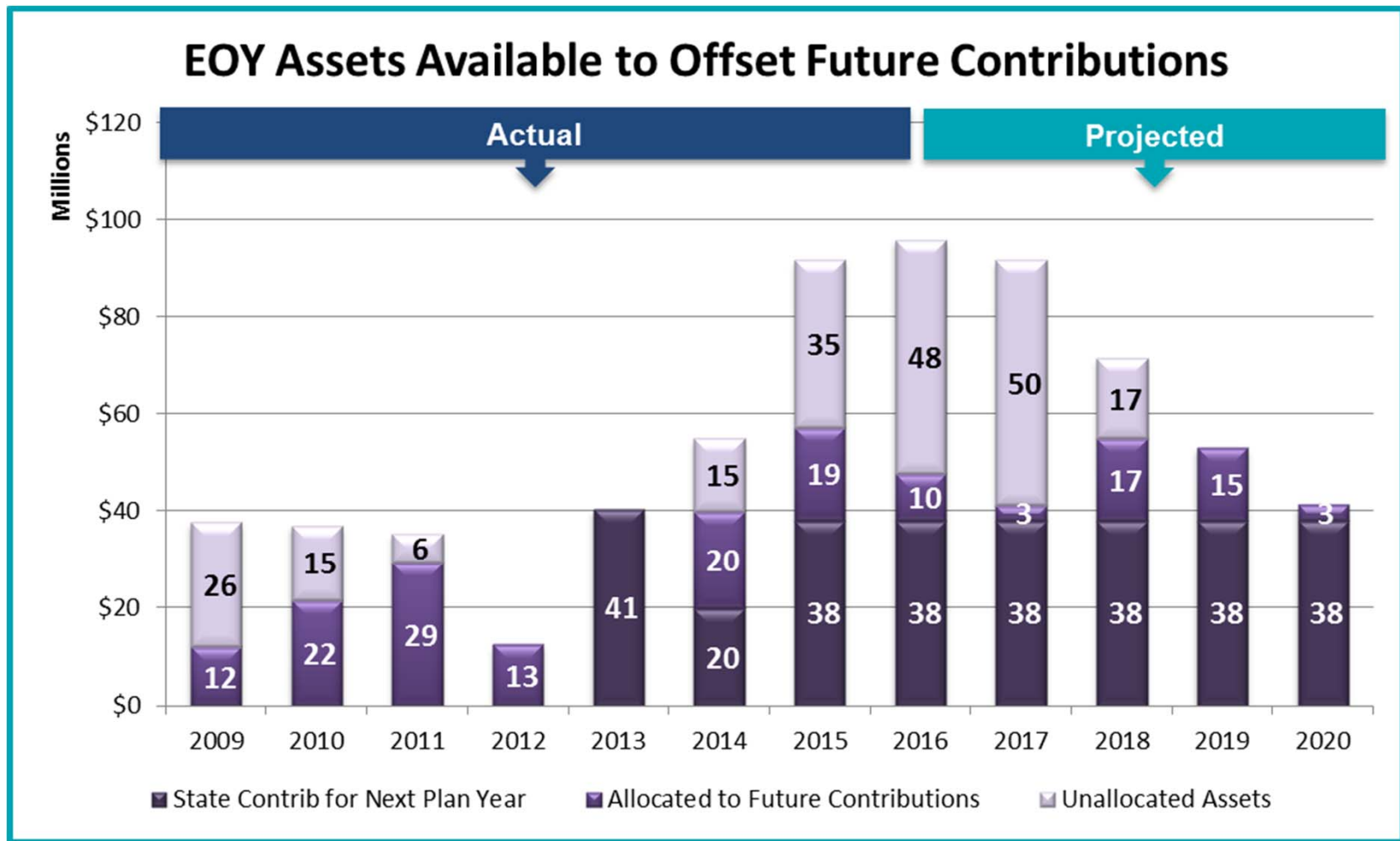


	For 2017 Rates & Benefits	For 2018+ Rates & Benefits
Employee/Retiree Contributions	Increase of 2% for PSE and 3% for ASE	See items below to mitigate increases
State/District Contributions	Assume no change	Request increase
Claims (& Expenses)	No changes	Consider: <ul style="list-style-type: none"> • Alternative Medicare Pharmacy approach for ASE • Additional wellness initiatives • Additional cost containment measures • Significant plan design changes • Risk adjusting PSE rates

PSE Funding



PSE Funding

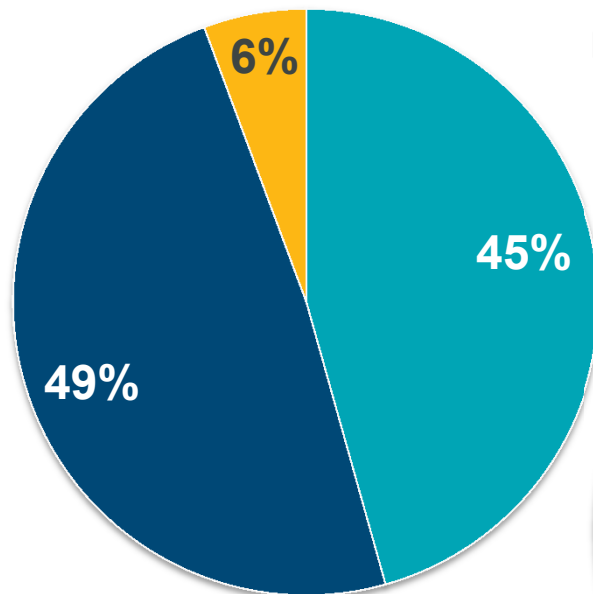


PSE – 2015 Distribution by Plan

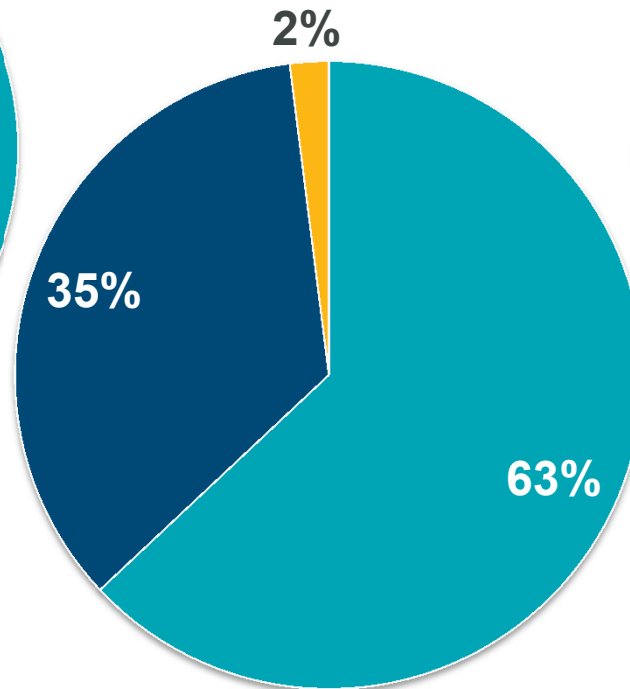


Enrollment

(Employees & Retirees)

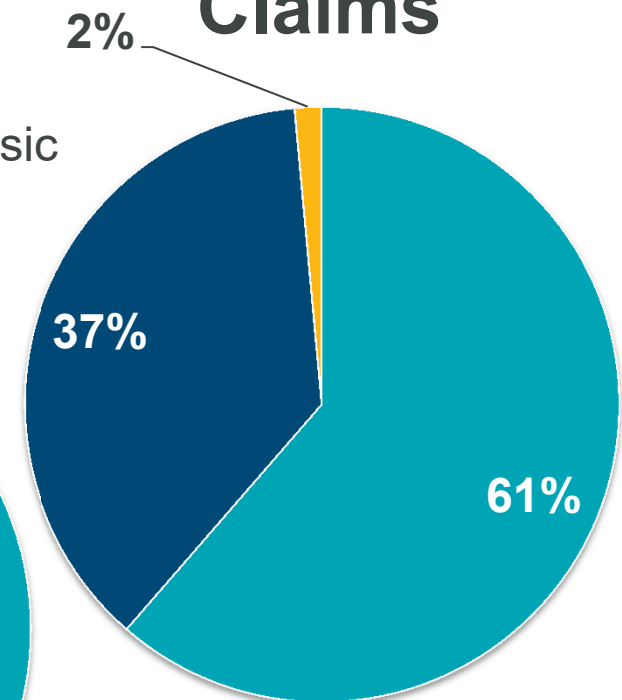


■ Premium ■ Classic ■ Basic



Participant Contributions

Claims



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PSE Trends



		Jan-May 2012- Jan-May 2013	<u>CY 2012- CY 2013</u>	Jan-May 2013- Jan-May 2014	<u>CY 2013- CY 2014</u>	Jan-May 2014- Jan-May 2015	<u>CY 2014- CY 2015</u>	Jan-May 2015- Jan-May 2016
Inpatient	Utilization	-3.9%	-8.0%	-4.4%	-4.1%	-15.7%	-4.3%	33.3%
	Unit Cost	-3.5%	-6.0%	-7.8%	1.9%	0.8%	-5.7%	7.3%
	Total PMPM	-7.2%	-13.5%	-11.8%	-2.3%	-15.0%	-9.8%	43.1%
Outpatient	Utilization	-4.5%	-3.6%	-4.9%	-2.0%	-6.5%	1.4%	19.9%
	Unit Cost	10.8%	12.6%	-0.4%	2.0%	-3.9%	-6.2%	8.7%
	Total PMPM	5.8%	8.5%	-5.2%	-0.1%	-10.1%	-4.9%	30.3%
Professional	Utilization	2.8%	0.0%	-8.8%	1.2%	-5.9%	-9.6%	13.3%
	Unit Cost	5.0%	2.3%	-1.7%	-3.1%	-3.4%	6.1%	2.5%
	Total PMPM	7.9%	2.3%	-10.3%	-1.9%	-9.1%	-4.0%	16.1%
Other Med.	Utilization	76.7%	0.7%	-14.8%	-6.5%	-1.3%	-11.2%	13.6%
	Unit Cost	-4.3%	3.7%	13.3%	6.6%	1.2%	22.8%	13.7%
	Total PMPM	90.5%	4.4%	-3.5%	-0.3%	0.0%	6.3%	29.2%
Total Medical	Utilization	3.8%	2.0%	-11.3%	-2.7%	-5.9%	-7.7%	14.9%
	Unit Cost	1.0%	0.0%	-0.5%	-1.3%	-4.5%	2.9%	10.6%
	Total PMPM	1.4%	-0.9%	-8.8%	-1.3%	-10.2%	-5.0%	27.1%

Jan – May reflects claims both incurred and paid in the 5-month period. CY refers to the entire calendar year.

Trends reflect allowed cost trends, unadjusted for changes in demographics, geography, benefits or management.



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PSE Allowed Cost Components

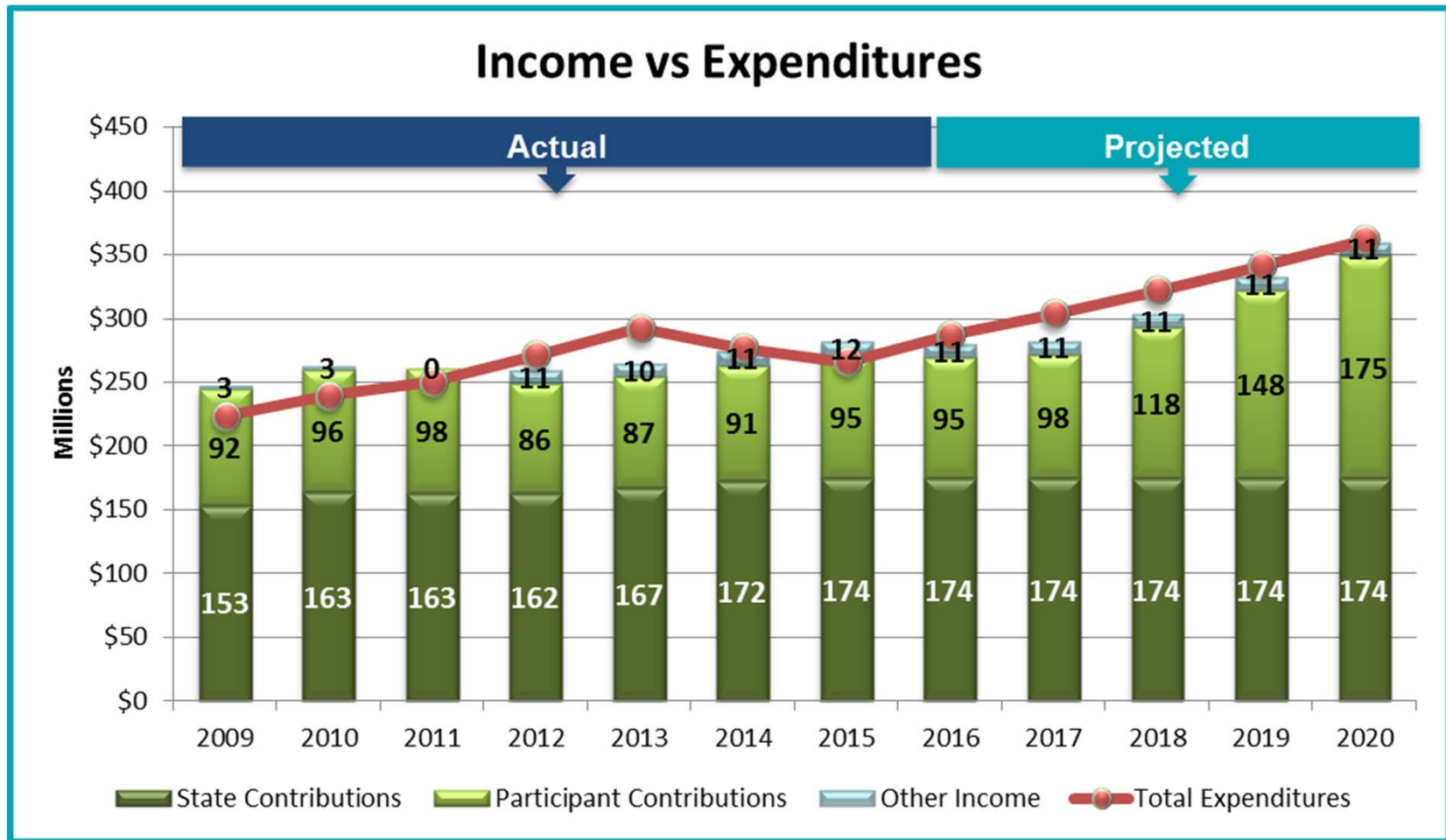


		Jan-May 2012	CY 2012	Jan-May 2013	CY 2013	Jan-May 2014	CY 2014	Jan-May 2015	CY 2015	Jan-May 2016
Inpatient	Util./1,000	322	414	310	381	296	365	250	349	333
	Unit Cost	\$ 2,552	\$ 2,417	\$ 2,464	\$ 2,273	\$ 2,273	\$ 2,316	\$ 2,291	\$ 2,185	\$ 2,458
	Total PMPM	\$ 68.59	\$ 83.34	\$ 63.62	\$ 72.11	\$ 56.12	\$ 70.45	\$ 47.70	\$ 63.57	\$ 68.25
Outpatient	Util./1,000	4,805	4,834	4,587	4,661	4,365	4,566	4,080	4,628	4,891
	Unit Cost	\$ 157	\$ 167	\$ 174	\$ 188	\$ 173	\$ 192	\$ 167	\$ 180	\$ 181
	Total PMPM	\$ 62.87	\$ 67.25	\$ 66.52	\$ 73.00	\$ 63.05	\$ 72.91	\$ 56.65	\$ 69.36	\$ 73.82
Professional	Util./1,000	16,974	16,886	17,443	16,883	15,910	17,089	14,971	15,454	16,962
	Unit Cost	\$ 72	\$ 76	\$ 76	\$ 78	\$ 75	\$ 75	\$ 72	\$ 80	\$ 74
	Total PMPM	\$ 102.24	\$ 107.00	\$ 110.37	\$ 109.43	\$ 98.99	\$ 107.38	\$ 89.99	\$ 103.04	\$ 104.51
Other Med.	Util./1,000	1,660	1,261	1,315	1,167	1,114	1,093	1,125	1,022	1,282
	Unit Cost	\$ 115	\$ 131	\$ 109	\$ 136	\$ 124	\$ 145	\$ 125	\$ 177	\$ 143
	Total PMPM	\$ 16.76	\$ 14.17	\$ 12.02	\$ 13.54	\$ 11.69	\$ 13.51	\$ 12.02	\$ 14.72	\$ 15.62
Total Medical	Util./1,000	24,240	23,967	25,157	24,442	22,315	23,783	21,002	21,954	24,128
	Unit Cost	\$ 126	\$ 139	\$ 128	\$ 139	\$ 127	\$ 137	\$ 121	\$ 141	\$ 134
	Total PMPM	\$ 255.16	\$ 277.74	\$ 258.72	\$ 275.34	\$ 236.08	\$ 271.84	\$ 212.10	\$ 258.14	\$ 269.59

Utilization / 1,000 corresponds to the number of services (days for Inpatient, visits for other categories) rendered per 1,000 covered lives.

Jan – May reflects claims both incurred and paid in the 5-month period. CY refers to the entire calendar year.

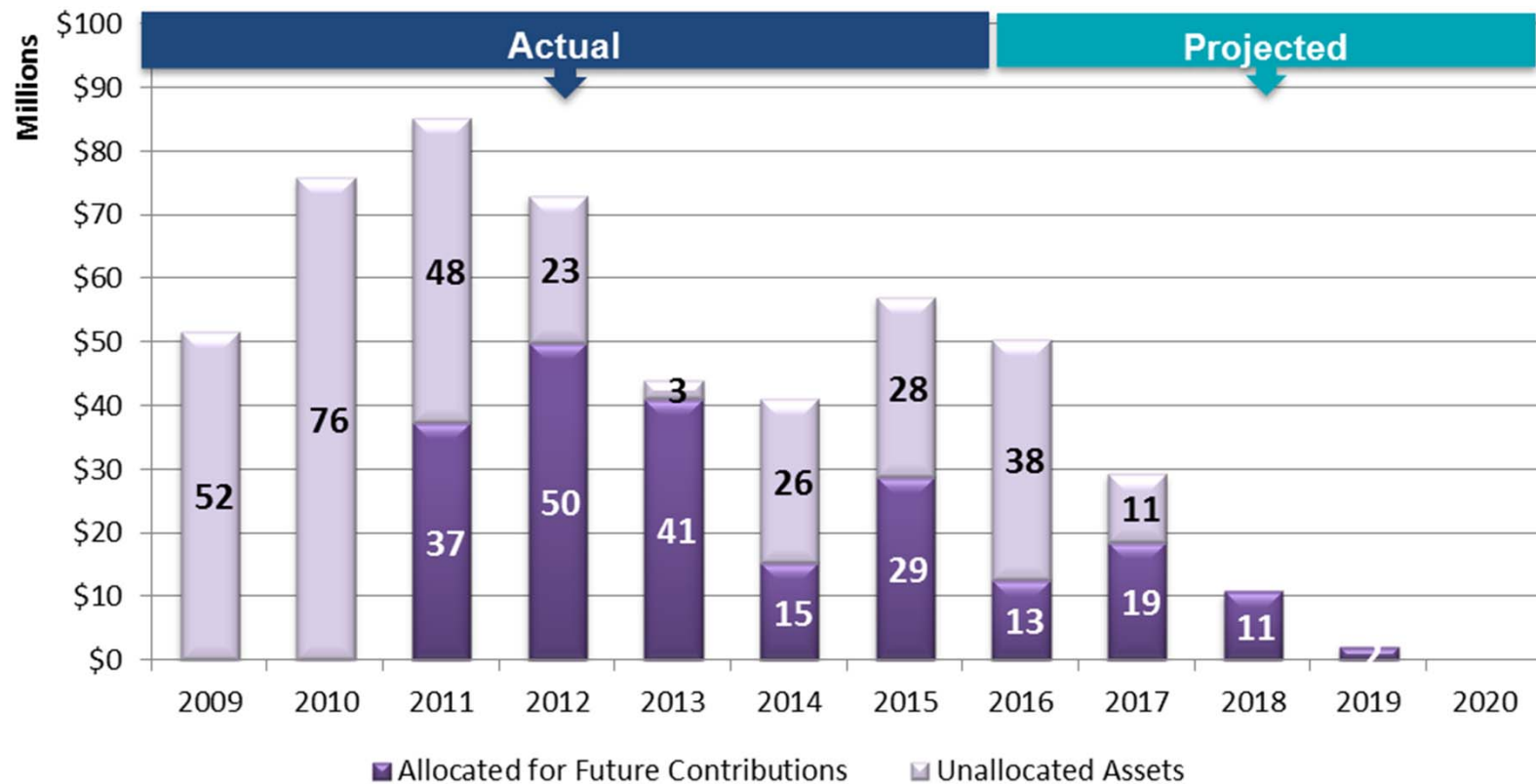
ASE Funding



ASE Funding



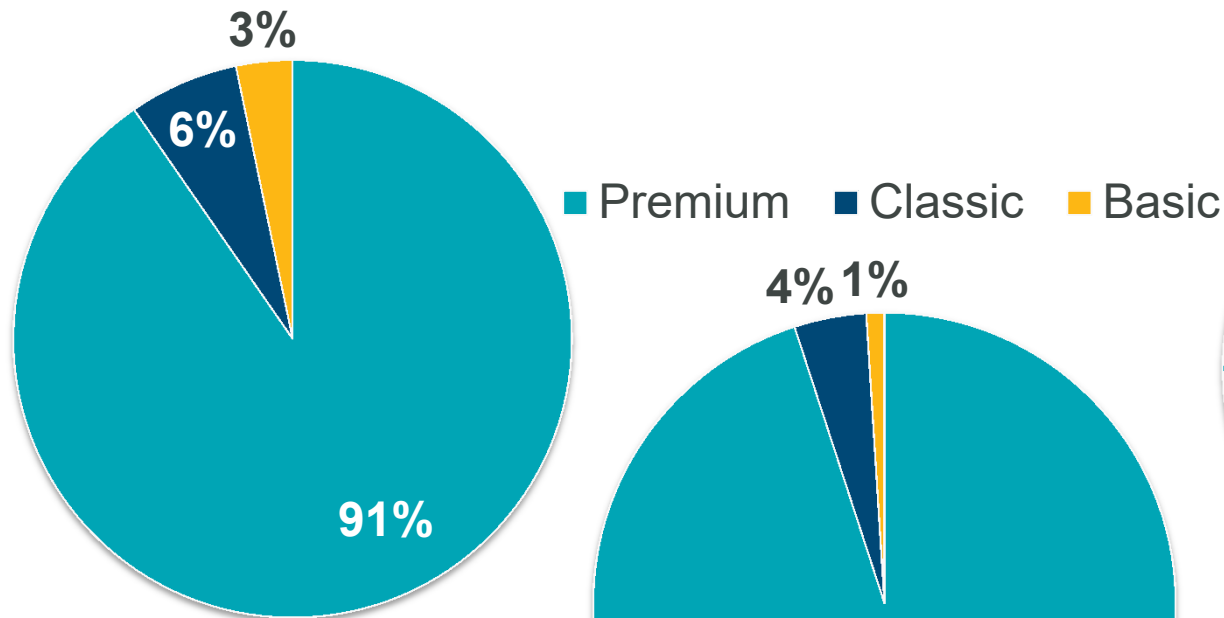
EOY Assets Available to Offset Future Contributions



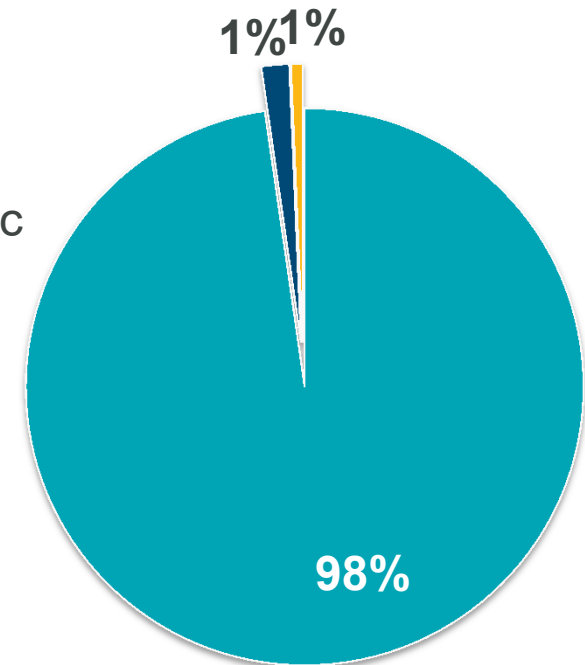
ASE – 2015 Distribution by Plan



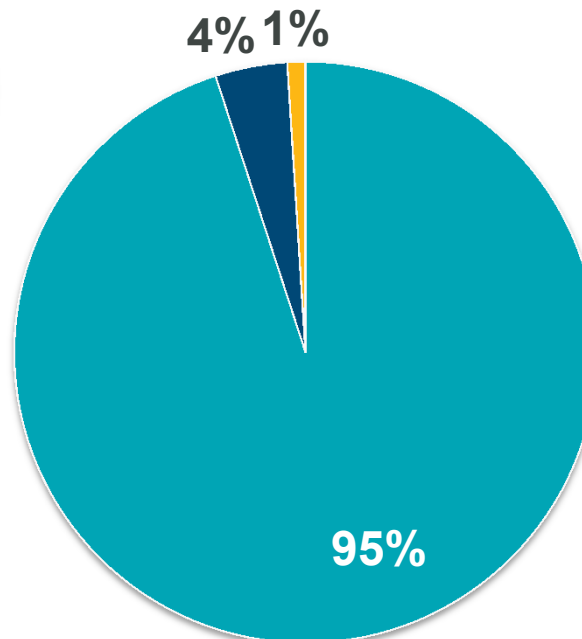
Enrollment (Employees & Retirees)



Claims



Participant Contributions



ASE Trends



		Jan-May 2012- Jan-May 2013	CY 2012- <u>CY 2013</u>	Jan-May 2013- Jan-May 2014	CY 2013- <u>CY 2014</u>	Jan-May 2014- Jan-May 2015	CY 2014- <u>CY 2015</u>	Jan-May 2015- <u>Jan-May 2016</u>
Inpatient	Utilization	4.2%	4.6%	-8.8%	-13.1%	-12.9%	3.6%	30.3%
	Unit Cost	3.6%	-1.6%	-3.1%	5.8%	2.2%	-4.3%	5.1%
	Total PMPM	7.9%	2.9%	-11.7%	-8.1%	-11.0%	-0.9%	36.9%
Outpatient	Utilization	-0.9%	0.6%	-5.1%	-4.3%	-7.6%	1.6%	24.9%
	Unit Cost	11.6%	11.5%	1.7%	4.1%	0.9%	-0.6%	2.8%
	Total PMPM	10.6%	12.2%	-3.5%	-0.5%	-6.8%	1.0%	28.3%
Professional	Utilization	2.9%	2.8%	-4.8%	1.8%	-6.0%	0.2%	15.9%
	Unit Cost	5.9%	1.6%	-4.4%	-3.9%	-1.9%	-1.4%	2.9%
	Total PMPM	9.0%	4.4%	-9.0%	-2.1%	-7.7%	-1.2%	19.3%
Other Med.	Utilization	67.0%	-2.2%	-7.0%	-0.8%	-0.4%	6.5%	15.7%
	Unit Cost	-1.1%	4.2%	18.0%	21.7%	5.7%	4.0%	2.5%
	Total PMPM	70.5%	1.2%	9.7%	20.7%	5.4%	10.4%	18.5%
Total Medical	Utilization	1.1%	2.1%	-4.8%	0.3%	-6.2%	0.8%	17.8%
	Unit Cost	5.7%	3.4%	-2.1%	-1.9%	-1.3%	-0.4%	6.8%
	Total PMPM	6.8%	5.6%	-6.8%	-1.6%	-7.3%	0.5%	25.8%

Jan – May reflects claims both incurred and paid in the 5-month period. CY refers to the entire calendar year.

Trends reflect allowed cost trends, unadjusted for changes in demographics, geography, benefits or management.

ASE Cost Components



		Jan-May 2012	CY 2012	Jan-May 2013	CY 2013	Jan-May 2014	CY 2014	Jan-May 2015	CY 2015	Jan-May 2016
Inpatient	Util./1,000	384	472	400	493	365	429	318	444	414
	Unit Cost	\$ 2,275	\$ 2,067	\$ 2,357	\$ 2,034	\$ 2,284	\$ 2,151	\$ 2,334	\$ 2,060	\$ 2,453
	Total PMPM	\$ 73	\$ 81	\$ 79	\$ 84	\$ 69	\$ 77	\$ 62	\$ 76	\$ 85
Outpatient	Util./1,000	5,592	5,450	5,540	5,482	5,257	5,244	4,859	5,328	6,067
	Unit Cost	\$ 149	\$ 159	\$ 166	\$ 177	\$ 169	\$ 184	\$ 171	\$ 183	\$ 175
	Total PMPM	\$ 69	\$ 72	\$ 77	\$ 81	\$ 74	\$ 80	\$ 69	\$ 81	\$ 89
Professional	Util./1,000	19,356	18,096	19,923	18,602	18,968	18,936	17,839	18,976	20,683
	Unit Cost	\$ 72	\$ 75	\$ 77	\$ 76	\$ 73	\$ 74	\$ 72	\$ 73	\$ 74
	Total PMPM	\$ 117	\$ 114	\$ 127	\$ 119	\$ 116	\$ 116	\$ 107	\$ 115	\$ 127
Other Med.	Util./1,000	1,813	1,331	1,315	1,175	1,212	1,167	1,231	1,268	1,430
	Unit Cost	\$ 118	\$ 130	\$ 117	\$ 135	\$ 138	\$ 166	\$ 146	\$ 171	\$ 149
	Total PMPM	\$ 19	\$ 15	\$ 13	\$ 14	\$ 14	\$ 17	\$ 16	\$ 19	\$ 18
Total Medical	Util./1,000	27,687	26,000	27,993	26,555	26,663	26,627	25,020	26,847	29,483
	Unit Cost	\$ 123	\$ 133	\$ 130	\$ 138	\$ 127	\$ 135	\$ 125	\$ 135	\$ 134
	Total PMPM	\$ 283.25	\$ 288.19	\$ 302.61	\$ 304.46	\$ 282.06	\$ 299.52	\$ 261.35	\$ 300.91	\$ 328.82

Utilization / 1,000 corresponds to the number of services (days for Inpatient, visits for other categories) rendered per 1,000 covered lives.

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14

2016 & 2017 Plan Design



	ASE Premium	PSE Premium	ASE Classic	PSE Classic	ASE Basic	PSE Basic
Monthly Plan HSA Contribution (Ind./Family)	n/a	n/a	\$25/\$50	\$0	\$25/\$50	\$0
In-Network:						
Deductible - Individual	\$500	\$1,000	\$2,500	\$2,000	\$6,450	\$4,250
Co-Insurance Limit - Individual (after Deductible)	\$2,500	\$2,500	\$3,950	\$4,450	n/a	\$2,200
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay) **	\$3,000	\$3,500	\$6,450	\$6,450	\$6,450	\$6,450
Deductible - Family	\$1,000	\$2,000	\$5,000	\$3,000	\$12,900	\$8,500
Co-Insurance Limit - Family (after Deductible)	\$5,000	\$5,000	\$7,900	\$6,675	n/a	\$4,400
Med. Out-of-Pocket Max (Ded. + Co-Ins. + Med. Co-Pay)	\$6,000	\$7,000	\$12,900	\$9,675	\$12,900	\$12,900
Co-Insurance Rate	80%/20%	80%/20%	80%/20%	80%/20%	100%/0%	80%/20%
Physician Office Visit - Primary Care - Co-Pay	\$25	\$25				
Physician Office Visit - Specialist - Co-Pay	\$50	\$50				
Rx - Deductible	None	None	Incl. w/ Med.	Incl. w/ Med.	Incl. w/ Med.	Incl. w/ Med.
Rx - Tier 1 - Generic	\$15	\$15	*	*	*	*
Rx - Tier 2 - Preferred Brand	\$40	\$40	*	*	*	*
Rx - Tier 3 - Non-Preferred Brand	\$80	\$80	not covered	not covered	not covered	not covered
Rx - Specialty	\$100	\$100	*	*	*	*
Rx - Out of Pocket Maximum (Individual/Family)	\$3,600/\$7,200	\$3,100/\$6,200	n/a	n/a	n/a	n/a
Hospital / Facility - Inpatient & SNF - Co-Pay Per Admission*	\$0	\$0				
Hospital / Facility - Outpatient - Co-Pay*	\$0	\$0				
Urgent Care Visit	\$100	\$100				
Emergency Room Visit	\$250	\$250				
Emergency Transportation - Ambulance	\$50	\$50				
High Tech Radiology - Co-Pay (1st Procedure Only)*	\$0	\$0				
Rehab / Therapy - Outpatient - Physical/Speech/Occup	\$25	\$25				
Rehab / Therapy - Outpatient - Chiropractic - Co-Pay	\$25	\$25				
Out-of-Network:						
Deductible - Individual/Family	\$2,000/\$4,000	\$2,000/\$4,000	\$4,000/\$8,000	\$3,000/\$6,000	not covered	not covered
Co-Insurance	60%/40%	60%/40%	60%/40%	60%/40%	not covered	not covered
Co-Insurance Limit - Individual/Family (after Deductible)	None	None	None	None	not covered	not covered
Max. Out-of-Pocket (Deductible + Co-Insurance)	None	None	None	None	not covered	not covered

*Deductible & Co-Insurance also applies

** An embedded individual OOP Max is applied within the family OOP max



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15

Summary of Benefit Changes Reviewed



APPROXIMATE reduction in annual cost for plan change

	<u>PSE</u>		<u>ASE</u>	
	\$ in millions	% of EE/ Ret Rate	\$ in millions	% of EE/ Ret Rate
Premium: Increase ASE Ded/OOP for Parity	\$0.0	0%	\$4.1	4%
Classic: Increase Ded/OOP	\$1.7	1%	\$0.1	0.1%
Basic: Increase Ded/OOP	\$0.1	0.1%	\$0.1	0.1%
Eliminate Medicare Rx for ASE				
with \$100 reduction in ME retiree contrib. rate	n/a	n/a	\$18	20%
with \$64 reduction in ME retiree contrib. rate	n/a	n/a	\$22	24%

Savings will be partially offset by additional administrative costs for transition, such as issuing new ID cards and/or educational efforts.

PSE Rate Increase Scenarios



		2017	2018	2019	2020		2017	2018	2019	2020
	Trend Scenario	6%/10%	6%	6%	6%		6%/10%	3%	3%	3%
1.	No Changes	0%	0%	26%	18%		0%	0%	6%	14%
2.	5% Min. Increase 2018	0%	5%	18%	19%		0%	5%	5%	7%
3.	5% Min. Increase 2017	5%	5%	8%	22%		5%	5%	5%	5%
4.	10% Min. Increase 2018	0%	10%	11%	21%		0%	10%	10%	10%
5.	10% Min. Increase 2017	10%	10%	10%	10%		10%	10%	10%	10%
6.	Classic/Basic Ded/OOP - 2017	0%	0%	23%	19%		0%	0%	3%	15%
7.	Combine 3. & 6.	5%	5%	5%	23%		5%	5%	5%	5%
8.	2% Min. Increase 2017	2%	2%	18%	20%		2%	2%	2%	12%

Rate increases shown are total change in employee and retiree contributions. The Board may wish to allocated the increase differently by family status, benefit plan, and/or employee/retiree status.

PSE Active Rates



Actives	Unadjusted Total Rate	Direct State Contrib. & FICA	Reserve Used / (Added)	School District Contrib.	2017 Employee Cost	2016 Employee Cost	Change in EE Cost (\$/%)		Assumed Enrollment
Premium							with		
Employee Only	\$584.64	\$244.89	\$0.36	\$155.93	\$183.46	\$179.38	\$4.08	2%	15,959
Employee & Spouse	1,366.90	379.21	0.56	155.93	831.20	812.72	18.48	2%	318
Employee & Child(ren)	1,025.62	398.56	0.59	155.93	470.54	460.08	10.46	2%	2,044
Family	1,807.88	817.31	1.20	155.93	833.44	814.92	18.52	2%	428
Est. Monthly Total (\$mil)	\$12.6	\$5.2	\$0.0	\$2.9	\$4.5	\$4.4	\$0.1	2%	18,749
Classic									
Employee Only	\$276.18	\$74.12	\$0.11	\$155.93	\$46.02	\$45.00	\$1.02	2%	12,875
Employee & Spouse	611.52	100.82	0.15	155.93	354.62	346.74	7.88	2%	1,288
Employee & Child(ren)	465.22	150.65	0.22	155.93	158.42	154.90	3.52	2%	4,687
Family	800.56	285.89	0.42	155.93	358.32	350.36	7.96	2%	2,885
Est. Monthly Total (\$mil)	\$8.8	\$2.6	\$0.0	\$3.4	\$2.8	\$2.8	\$0.1	2%	21,734
Basic									
Employee Only	\$134.50	\$0.00	(\$32.69)	\$155.93	\$11.26	\$11.00	\$0.26	2%	2,915
Employee & Spouse	263.18	0.00	(165.53)	155.93	272.78	266.72	6.06	2%	184
Employee & Child(ren)	207.04	0.00	(70.75)	155.93	121.86	119.16	2.70	2%	343
Family	335.72	0.00	(95.83)	155.93	275.62	269.50	6.12	2%	320
Est. Monthly Total (\$mil)	\$0.6	\$0.0	(\$0.2)	\$0.6	\$0.2	\$0.2	\$0.0	2%	3,763
Total (Monthly) (\$ mil)	\$22.1	\$7.8	(\$0.2)	\$6.9	\$7.5	\$7.4	\$0.2	2%	44,246
Est Annual Total (\$ mil)	\$265.1	\$93.7	(\$2.0)	\$82.8	\$90.6	\$88.6	\$2.0	2%	

Total Active & Ret (\$ mil)	\$305.8	\$93.7	\$3.4	\$82.8	\$125.9	\$123.5	\$2.5	2%	59,111
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Employee Cost assumes wellness participation. Wellness penalties subtracted from Total Rates.

PSE Retiree Rates



NME Retirees	Unadjusted Total Rate	Direct State Contrib.	Reserve Used / (Added)	2017 Retiree Cost	2016 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Premium								
Retiree Only	\$584.64	\$0.00	(\$56.50)	\$641.14	\$641.14	\$0.00	0%	1,058
Retiree & NME SP	1,366.90	0.00	(90.28)	1,457.18	1,457.18	0.00	0%	57
Retiree & Child(ren)	1,025.62	0.00	(166.98)	1,192.60	1,192.60	0.00	0%	12
Retiree & NME SP&CH	1,807.88	0.00	(200.76)	2,008.64	2,008.64	0.00	0%	5
Retiree & ME SP	779.42	0.00	(15.70)	795.12	795.12	0.00	0%	84
Retiree & ME SP & CH	1,220.40	0.00	(126.18)	1,346.58	1,346.58	0.00	0%	1
Est. Monthly Total (\$mil)	\$0.8	\$0.0	(\$0.1)	\$0.9	\$0.9	\$0.0	0%	1,218
Classic								
Employee Only	\$276.18	\$0.00	\$2.88	\$273.30	\$267.94	\$5.36	2%	1,772
Employee & Spouse	611.52	0.00	45.74	565.78	554.68	11.10	2%	257
Employee & Child(ren)	465.22	0.00	(4.60)	469.82	469.82	0.00	0%	49
Family	800.56	0.00	54.36	746.20	731.56	14.64	2%	52
Est. Monthly Total (\$mil)	\$0.7	\$0.0	\$0.0	\$0.7	\$0.7	\$0.0	2%	2,131
Basic								
Employee Only	\$134.50	\$0.00	(\$14.00)	\$148.50	\$148.50	\$0.00	0%	330
Employee & Spouse	263.18	0.00	(6.54)	269.72	269.72	0.00	0%	49
Employee & Child(ren)	207.04	0.00	(31.48)	238.52	238.52	0.00	0%	13
Family	335.72	0.00	0.00	335.72	334.74	0.98	0%	14
Est. Monthly Total (\$mil)	\$0.1	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0	0%	406
Total (Monthly) (\$ mil)	\$1.6	\$0.0	(\$0.1)	\$1.6	\$1.6	\$0.0	1%	3,755
Est Annual Total (\$ mil)	\$18.7	\$0.0	(\$0.7)	\$19.4	\$19.2	\$0.2		
Medicare Eligible	Unadjusted Total Rate	Subsidy	Reserve Used / (Added)	2017 Retiree Cost	2016 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Retiree Only	\$194.78	\$51.20	\$42.80	\$100.78	\$98.80	\$1.98	2%	10,093
Retiree & NME SP	768.22	(27.15)	11.45	783.92	783.92	(0.00)	0%	68
Retiree & Child(ren)	683.80	(73.30)	(0.00)	757.10	757.10	0.00	0%	15
Retiree & NME SP&CH	1,418.00	(103.48)	0.00	1,521.48	1,521.48	(0.00)	0%	1
Retiree & ME SP	365.66	25.59	77.03	263.04	257.88	5.16	2%	933
Retiree & ME SP & CH	854.68	(33.89)	(0.01)	888.58	888.57	0.01	0%	-
Est. Monthly Total (\$mil)	\$2.4	\$0.5	\$0.5	\$1.3	\$1.3	\$0.0	2%	11,110
Total (Est. Annual)	\$28.4	\$6.5	\$6.1	\$15.9	\$15.6	\$0.3		

Note: Rates not increased if contribution rate is above total premium

8/24/2016



Classic Values, Innovative Advice

ASE Scenarios



		2017	2018	2019	2020	2017	2018	2019	2020
	Trend Scenario	6%/10%	6%	6%	6%	6%/10%	3%	3%	3%
1.	No Changes	0%	27%	25%	19%	0%	18%	18%	14%
2.	5% Min. Increase 2017	5%	19%	26%	19%	5%	10%	19%	13%
3.	10% Min. Increase 2017	10%	12%	28%	18%	10%	10%	11%	14%
4.	State Contribution to \$425	0%	25%	26%	20%	0%	15%	19%	14%
5.	Lose 1,000 unfilled positions	0%	34%	23%	19%	0%	24%	17%	14%
<i>Eliminating Medicare Rx</i>									
6.	In 2017 w/ \$100 lower contrib.	0%	0%	33%	22%	0%	0%	8%	18%
7.	In 2017 w/ \$64 lower contrib.	0%	0%	21%	25%	0%	0%	0%	17%
8.	In 2018 w/ \$100 lower contrib.	0%	9%	32%	24%	0%	0%	22%	18%
9.	In 2018 w/ \$64 lower contrib.	0%	1%	32%	23%	0%	0%	10%	19%
<i>Parity in Premium Plan Benefits</i>									
10.	In 2017	0%	21%	27%	19%	0%	11%	20%	14%
11.	In 2018	0%	23%	26%	20%	0%	13%	19%	14%
<i>Combinations</i>									
12.	Combine 7. & 10.	0%	0%	11%	28%	0%	0%	0%	5%
13.	Combine 2., 4., 5., 7., & 10.	5%	5%	5%	24%	5%	5%	5%	5%
14.	Combine 2., 4., 5., 8., & 11.	5%	5%	26%	25%	5%	5%	5%	16%
15.	3% Min. Increase 2017	3%	22%	26%	19%	3%	13%	19%	13%

Rate increases shown are total change in employee and retiree contributions. The Board may wish to allocated the increase differently by family status, benefit plan, and/or employee/retiree status.

ASE Active Rates



Actives	Risk Adjusted Total Rate	State Contrib. & FICA	Reserve Used / (Added)	2017 Employee Cost	2016 Employee Cost	Change in EE Cost (\$/%)		Assumed Enrollment
Premium								
Employee Only	\$478.84	\$363.81	\$7.11	\$107.92	\$104.78	\$3.14	3%	13,301
Employee & Spouse	1,083.42	679.69	13.27	390.46	379.08	11.38	3%	2,171
Employee & Child(ren)	807.42	579.76	11.32	216.34	210.04	6.30	3%	5,021
Family	1,412.00	895.63	17.49	498.88	484.34	14.54	3%	1,970
Est. Monthly Total (\$mil)	\$15.6	\$11.0	\$0.2	\$4.4	\$4.2	\$0.1	3%	22,463
Classic								
Employee Only	\$415.98	\$361.05	\$7.05	\$47.88	\$46.48	\$1.40	3%	1,068
Employee & Spouse	937.40	673.92	13.16	250.32	243.02	7.30	3%	139
Employee & Child(ren)	699.36	575.38	11.24	112.74	109.46	3.28	3%	298
Family	1,220.78	888.25	17.35	315.18	306.00	9.18	3%	157
Est. Monthly Total (\$mil)	\$1.0	\$0.8	\$0.0	\$0.2	\$0.2	\$0.0	3%	1,662
Basic								
Employee Only	\$366.10	\$359.09	\$7.01	\$0.00	\$0.00	\$0.00	n/a	1,159
Employee & Spouse	818.86	669.33	13.07	136.46	132.48	3.98	3%	170
Employee & Child(ren)	612.18	572.01	11.17	29.00	28.16	0.84	3%	301
Family	1,064.94	882.25	17.23	165.46	160.64	4.82	3%	185
Est. Monthly Total (\$mil)	\$0.9	\$0.9	\$0.0	\$0.1	\$0.1	\$0.0	3%	1,816
Total (Monthly) (\$ mil)	\$17.5	\$12.6	\$0.2	\$4.6	\$4.5	\$0.1	3%	25,941
Est Annual Total (\$ mil)	\$209.7	\$151.8	\$3.0	\$55.0	\$53.4	\$1.6	3%	

Total Active & Ret (\$ mil)	\$263.5	\$177.4	\$3.5	\$82.7	\$80.3	\$2.4	3%	38,065
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Employee Cost assumes wellness participation. Wellness penalties subtracted from Total Rates.



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8/24/2016

21

ASE Retiree Rates



NME Retirees	Risk Adjusted Total Rate	State Contrib.	Reserve Used / (Added)	2017 Retiree Cost	2016 Total Retiree Cost	Change in Retiree Cost (\$/%)		Assumed Enrollment
Premium								
Retiree Only	\$478.84	\$189.63	\$22.81	\$266.40	\$258.64	\$7.76	3%	1,684
Retiree & NME SP	1,083.42	358.44	43.10	681.88	662.02	19.86	3%	378
Retiree & Child(ren)	807.42	281.31	33.83	492.28	477.94	14.34	3%	101
Retiree & NME SP&CH	1,412.00	450.11	54.13	907.76	881.32	26.44	3%	45
Retiree & ME SP	908.00	351.01	42.21	514.78	499.78	15.00	3%	192
Retiree & ME SP & CH	1,236.58	442.68	53.24	740.66	719.08	21.58	3%	7
Est. Monthly Total (\$mil)	\$1.5	\$0.6	\$0.1	\$0.9	\$0.9	\$0.0	3%	2,408
Classic								
Employee Only	\$415.98	\$187.12	\$22.50	\$206.36	\$200.34	\$6.02	3%	50
Employee & Spouse	937.40	353.19	42.47	541.74	525.96	15.78	3%	14
Employee & Child(ren)	699.36	277.33	33.35	388.68	377.36	11.32	3%	2
Family	1,220.78	443.40	53.32	724.06	702.98	21.08	3%	4
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	3%	70
Basic								
Employee Only	\$366.10	\$185.33	\$22.29	\$158.48	\$153.86	\$4.62	3%	27
Employee & Spouse	818.86	349.01	41.97	427.88	415.42	12.46	3%	6
Employee & Child(ren)	612.18	274.26	32.98	304.94	296.06	8.88	3%	3
Family	1,064.94	437.93	52.67	574.34	557.62	16.72	3%	4
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	3%	40
Total (Monthly) (\$ mil)	\$1.6	\$0.6	\$0.1	\$0.9	\$0.9	\$0.0	3%	2,518
Est Annual Total (\$ mil)	\$19.3	\$7.2	\$0.9	\$11.2	\$10.9	\$0.3		
Medicare Eligible								
Retiree Only	\$429.16	\$234.17	\$28.17	\$166.82	\$161.96	\$4.86	3%	6,643
Retiree & NME SP	907.99	290.73	34.96	582.30	565.34	16.96	3%	393
Retiree & Child(ren)	798.20	361.97	43.53	392.70	381.26	11.44	3%	77
Retiree & NME SP&CH	1,362.33	494.66	59.49	808.18	784.64	23.54	3%	27
Retiree & ME SP	834.42	388.09	46.67	399.66	388.02	11.64	3%	2,435
Retiree & ME SP & CH	1,203.47	515.89	62.04	625.54	607.32	18.22	3%	31
Est. Monthly Total (\$mil)	\$5.4	\$2.7	\$0.3	\$2.4	\$2.3	\$0.1	3%	9,606
Total (Est. Annual)	\$64.5	\$32.1	\$3.9	\$28.6	\$27.7	\$0.8		

H-scan Rate Change Forecast



Options & Stress Testing

H-scan

	2017	2018	2019	2020
Scenario 1 Trend	6%/10%	6%	6%	6%
Scenario 2 Trend	6%/10%	3%	3%	3%

	2017	2018+
PSE Minimum Rate Increase	2%	2%
ASE Minimum Rate Increase	3%	3%

ASE Budgeted Pos'n Rate 7/1/2017	\$ 420
Annual increases	0%
Number of Budgeted Positions	34,500

YEAR BENEFIT CHANGES APPLY	2017
Premium: Benefit Parity	No
Classic: Increase Ded/OOP	No
Basic: Increase Ded/OOP	No

Eliminate Medicare Rx for ASE	No
Reduction in contrib. per retiree	\$ 100

TOTAL CHANGE IN EMPLOYEE/RETIREE CONTRIBUTION RATES NEEDED

PSE

	2017	2018	2019	2020
Trend Scenario 1	6%/10%	6%	6%	6%
Rate Increase	2%	2%	18%	20%
Trend Scenario 2	6%/10%	3%	3%	3%
Rate Increase	2%	2%	2%	12%

ASE

	2017	2018	2019	2020
Trend Scenario 1	6%/10%	6%	6%	6%
Rate Increase	3%	22%	26%	19%
Trend Scenario 2	6%/10%	3%	3%	3%
Rate Increase	3%	13%	19%	13%

See Appendix D for other assumptions



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8/24/2016

23

Considerations for 2018



- Additional State (and District) contributions
- Alternative Medicare Pharmacy approach for ASE
- Additional wellness initiatives
- Additional cost containment measures
- Fresh look at plan design
- Risk adjusting PSE rates



CHEIRON



Classic Values, Innovative Advice.

Cheiron (pronounced kī·ron), the immortal centaur from Greek mythology, broke away from the pack and was educated by the Gods. Cheiron became a mentor to classical Greek heroes, then sacrificed his immortality and was awarded in eternity as the constellation Sagittarius.



Classic Values, Innovative Advice

8/24/2016

25

Appendix A: PSE Rate Scenarios



		CURRENT PLAN DESIGN			
		2017	2018	2019	2020
	Trend Scenario	6%/10%	6%	6%	6%
Minimum Increase (starting 2017)					
	0%	0%	0%	26%	18%
	1%	1%	1%	22%	19%
	2%	2%	2%	18%	20%
	3%	3%	3%	15%	20%
	4%	4%	4%	11%	21%
	5%	5%	5%	8%	22%
	6%	6%	6%	6%	21%
	7%	7%	7%	7%	15%
	8%	8%	8%	8%	10%
	9%	9%	9%	9%	9%
	10%	10%	10%	10%	10%

Rate increases shown are total changes in employee and retiree contributions. The Board may wish to allocated the increase differently by family status, benefit plan, and/or employee/retiree status.

Appendix A: PSE Active Rate Scenarios



Actives	Current Rates	1% increase	2% increase	3% increase	4% increase	5% increase	6% increase	7% increase	8% increase	9% increase	10% increase	Assumed Enrollment
Premium												
Employee Only	\$179.38	\$181.42	\$183.46	\$185.50	\$187.64	\$189.80	\$191.96	\$194.12	\$196.26	\$198.42	\$200.58	15,959
Employee & Spouse	812.72	821.96	831.20	840.44	850.18	859.94	869.72	879.46	889.24	899.02	908.80	318
Employee & Child(ren)	460.08	465.32	470.54	475.78	481.28	486.82	492.34	497.86	503.40	508.94	514.46	2,044
Family	814.92	824.20	833.44	842.72	852.48	862.26	872.06	881.84	891.66	901.46	911.26	428
Est. Monthly Total (\$mil)	\$4.4	\$4.5	\$4.5	\$4.6	\$4.6	\$4.7	\$4.7	\$4.8	\$4.8	\$4.9	\$4.9	18,749
Classic												
Employee Only	\$45.00	\$45.52	\$46.02	\$46.54	\$47.08	\$47.62	\$48.16	\$48.70	\$49.24	\$49.78	\$50.32	12,875
Employee & Spouse	346.74	350.68	354.62	358.58	362.72	366.88	371.06	375.22	379.38	383.56	387.72	1,288
Employee & Child(ren)	154.90	156.66	158.42	160.18	162.04	163.90	165.76	167.62	169.48	171.34	173.22	4,687
Family	350.36	354.34	358.32	362.32	366.52	370.72	374.94	379.14	383.34	387.56	391.78	2,885
Est. Monthly Total (\$mil)	\$2.8	\$2.8	\$2.8	\$2.9	\$2.9	\$2.9	\$3.0	\$3.0	\$3.0	\$3.1	\$3.1	21,734
Basic												
Employee Only	\$11.00	\$11.12	\$11.26	\$11.38	\$11.50	\$11.64	\$11.78	\$11.90	\$12.04	\$12.16	\$12.30	2,915
Employee & Spouse	266.72	269.76	272.78	275.82	279.02	282.22	285.42	288.62	291.84	295.04	298.26	184
Employee & Child(ren)	119.16	120.52	121.86	123.22	124.66	126.08	127.52	128.94	130.38	131.82	133.24	343
Family	269.50	272.56	275.62	278.70	281.92	285.16	288.40	291.64	294.88	298.12	301.36	320
Est. Monthly Total (\$mil)	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	3,763
Total (Monthly) (\$ mil)	\$7.4	\$7.5	\$7.5	\$7.6	\$7.7	\$7.8	\$7.9	\$8.0	\$8.1	\$8.2	\$8.3	44,246
Est Annual Total (\$ mil)	\$88.6	\$89.6	\$90.6	\$91.6	\$92.7	\$93.7	\$94.8	\$95.9	\$96.9	\$98.0	\$99.1	
Total Active & Ret (\$ mil)	\$123.5	\$124.7	\$125.9	\$127.2	\$128.4	\$129.6	\$130.9	\$132.1	\$133.4	\$134.6	\$135.8	
Additional Contrib (\$ mil)	\$0.0	\$1.2	\$2.5	\$3.7	\$4.9	\$6.2	\$7.4	\$8.6	\$9.9	\$11.1	\$12.3	

Appendix A: PSE Retiree Rate Scenarios



NME Retirees	Current Rates	1% increase	2% increase	3% increase	4% increase	5% increase	6% increase	7% increase	8% increase	9% increase	10% increase	Assumed Enrollment
Premium												
Retiree Only	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	\$641.14	1,058
Retiree & NME SP	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	1,457.18	57
Retiree & Child(ren)	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	1,192.60	12
Retiree & NME SP&CH	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	2,008.64	5
Retiree & ME SP	795.12	795.12	795.12	795.12	795.12	795.12	795.12	795.12	795.12	795.12	795.12	84
Retiree & ME SP & CH	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1,346.58	1
Est. Monthly Total (\$mil)	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	1,218
Classic												
Employee Only	\$267.94	\$270.62	\$273.30	\$275.98	\$276.18	\$276.18	\$276.18	\$276.18	\$276.18	\$276.18	\$276.18	1,772
Employee & Spouse	554.68	560.22	565.78	571.32	576.86	582.42	587.96	593.50	599.06	604.60	610.14	257
Employee & Child(ren)	469.82	469.82	469.82	469.82	469.82	469.82	469.82	469.82	469.82	469.82	469.82	49
Family	731.56	738.88	746.20	753.50	760.82	768.14	775.46	782.76	790.08	797.40	800.56	52
Est. Monthly Total (\$mil)	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	2,131
Basic												
Employee Only	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	\$148.50	330
Employee & Spouse	269.72	269.72	269.72	269.72	269.72	269.72	269.72	269.72	269.72	269.72	269.72	49
Employee & Child(ren)	238.52	238.52	238.52	238.52	238.52	238.52	238.52	238.52	238.52	238.52	238.52	13
Family	334.74	335.72	335.72	335.72	335.72	335.72	335.72	335.72	335.72	335.72	335.72	14
Est. Monthly Total (\$mil)	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	406
Total (Monthly) (\$ mil)	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	3,755
Est Annual Total (\$ mil)	\$19.2	\$19.3	\$19.4	\$19.5	\$19.5	\$19.5	\$19.6	\$19.6	\$19.6	\$19.6	\$19.6	
Medicare Eligible												
Retiree Only	\$98.80	\$99.78	\$100.78	\$101.76	\$102.74	\$103.74	\$104.72	\$105.72	\$106.70	\$107.68	\$108.68	10,093
Retiree & NME SP	783.92	783.92	783.92	783.92	783.92	783.92	783.92	783.92	783.92	783.92	783.92	68
Retiree & Child(ren)	757.10	757.10	757.10	757.10	757.10	757.10	757.10	757.10	757.10	757.10	757.10	15
Retiree & NME SP&CH	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1,521.48	1
Retiree & ME SP	257.88	260.46	263.04	265.62	268.20	270.76	273.34	275.92	278.50	281.08	283.66	933
Retiree & ME SP & CH	888.57	888.58	888.58	888.58	888.58	888.58	888.58	888.58	888.58	888.58	888.58	0
Est. Monthly Total (\$mil)	\$1.3	\$1.3	\$1.3	\$1.3	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	11,110
Total (Est. Annual)	\$15.6	\$15.8	\$15.9	\$16.1	\$16.2	\$16.4	\$16.5	\$16.7	\$16.8	\$17.0	\$17.1	

Note: Rates not increased if contribution rate is above total premium

8/24/2016



Classic Values, Innovative Advice

Appendix A: ASE Rate Scenarios



		CURRENT PLAN DESIGN			
		2017	2018	2019	2020
	Trend Scenario	6%/10%	6%	6%	6%
Minimum Increase (starting 2017)					
	0%	0%	27%	25%	19%
	1%	1%	26%	25%	19%
	2%	2%	24%	26%	19%
	3%	3%	22%	26%	19%
	4%	4%	21%	26%	19%
	5%	5%	19%	26%	19%
	6%	6%	18%	27%	19%
	7%	7%	16%	27%	19%
	8%	8%	15%	27%	19%
	9%	9%	14%	27%	18%
	10%	10%	12%	28%	18%

Rate increases shown are total changes in employee and retiree contributions. The Board may wish to allocated the increase differently by family status, benefit plan, and/or employee/retiree status.

Appendix A: ASE Active Rate Scenarios



Actives	Current Rates	1% increase	2% increase	3% increase	4% increase	5% increase	6% increase	7% increase	8% increase	9% increase	10% increase	Assumed Enrollment
Premium												
Employee Only	\$104.78	\$105.82	\$106.88	\$107.92	\$108.98	\$110.02	\$111.06	\$112.12	\$113.16	\$114.22	\$115.26	13,301
Employee & Spouse	379.08	382.88	386.66	390.46	394.24	398.04	401.82	405.62	409.40	413.20	416.98	2,171
Employee & Child(ren)	210.04	212.14	214.24	216.34	218.44	220.54	222.64	224.74	226.84	228.94	231.04	5,021
Family	484.34	489.18	494.02	498.88	503.72	508.56	513.40	518.24	523.08	527.94	532.78	1,970
Est. Monthly Total (\$mil)	\$4.2	\$4.3	\$4.3	\$4.4	\$4.4	\$4.4	\$4.5	\$4.5	\$4.6	\$4.6	\$4.6	22,463
Classic												
Employee Only	\$46.48	\$46.94	\$47.40	\$47.88	\$48.34	\$48.80	\$49.26	\$49.74	\$50.20	\$50.66	\$51.12	1,068
Employee & Spouse	243.02	245.46	247.88	250.32	252.74	255.18	257.60	260.04	262.46	264.90	267.32	139
Employee & Child(ren)	109.46	110.56	111.64	112.74	113.84	114.94	116.02	117.12	118.22	119.32	120.40	298
Family	306.00	309.06	312.12	315.18	318.24	321.30	324.36	327.42	330.48	333.54	336.60	157
Est. Monthly Total (\$mil)	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	1,662
Basic												
Employee Only	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1,159
Employee & Spouse	132.48	133.80	135.12	136.46	137.78	139.10	140.42	141.76	143.08	144.40	145.72	170
Employee & Child(ren)	28.16	28.44	28.72	29.00	29.28	29.56	29.84	30.14	30.42	30.70	30.98	301
Family	160.64	162.24	163.86	165.46	167.06	168.68	170.28	171.88	173.50	175.10	176.70	185
Est. Monthly Total (\$mil)	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	1,816
Total (Monthly) (\$ mil)	\$4.5	\$4.5	\$4.5	\$4.6	\$4.6	\$4.7	\$4.7	\$4.8	\$4.8	\$4.9	\$4.9	25,941
Est Annual Total (\$ mil)	\$53.4	\$53.9	\$54.5	\$55.0	\$55.5	\$56.1	\$56.6	\$57.1	\$57.7	\$58.2	\$58.7	
Total Active & Ret (\$ mil)	\$92.0	\$92.9	\$93.9	\$94.8	\$95.7	\$96.6	\$97.5	\$98.5	\$99.4	\$100.3	\$101.2	
Additional Contrib (\$ mil)	\$0.0	\$0.9	\$1.8	\$2.8	\$3.7	\$4.6	\$5.5	\$6.4	\$7.4	\$8.3	\$9.2	

Appendix A: ASE Retiree Rate Scenarios



NME Retirees	Current Rates	1% increase	2% increase	3% increase	4% increase	5% increase	6% increase	7% increase	8% increase	9% increase	10% increase	Assumed Enrollment
Premium												
Retiree Only	\$258.64	\$261.22	\$263.82	\$266.40	\$268.98	\$271.58	\$274.16	\$276.74	\$279.34	\$281.92	\$284.50	1,684
Retiree & NME SP	662.02	668.64	675.26	681.88	688.50	695.12	701.74	708.36	714.98	721.60	728.22	378
Retiree & Child(ren)	477.94	482.72	487.50	492.28	497.06	501.84	506.62	511.40	516.18	520.96	525.74	101
Retiree & NME SP&CH	881.32	890.14	898.94	907.76	916.58	925.38	934.20	943.02	951.82	960.64	969.46	45
Retiree & ME SP	499.78	504.78	509.78	514.78	519.78	524.76	529.76	534.76	539.76	544.76	549.76	192
Retiree & ME SP & CH	719.08	726.28	733.46	740.66	747.84	755.04	762.22	769.42	776.60	783.80	790.98	7
Est. Monthly Total (\$mil)	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$1.0	\$1.0	2,408
Classic												
Employee Only	\$200.34	\$202.34	\$204.34	\$206.36	\$208.36	\$210.36	\$212.36	\$214.36	\$216.36	\$218.38	\$220.38	50
Employee & Spouse	525.96	531.22	536.48	541.74	547.00	552.26	557.52	562.78	568.04	573.30	578.56	14
Employee & Child(ren)	377.36	381.14	384.90	388.68	392.46	396.22	400.00	403.78	407.54	411.32	415.10	2
Family	702.98	710.00	717.04	724.06	731.10	738.12	745.16	752.18	759.22	766.24	773.28	4
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	70
Basic												
Employee Only	\$153.86	\$155.40	\$156.94	\$158.48	\$160.02	\$161.56	\$163.10	\$164.64	\$166.16	\$167.70	\$169.24	27
Employee & Spouse	415.42	419.58	423.72	427.88	432.04	436.20	440.34	444.50	448.66	452.80	456.96	6
Employee & Child(ren)	296.06	299.02	301.98	304.94	307.90	310.86	313.82	316.78	319.74	322.70	325.66	3
Family	557.62	563.20	568.78	574.34	579.92	585.50	591.08	596.66	602.22	607.80	613.38	4
Est. Monthly Total (\$mil)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	40
Total (Monthly) (\$ mil)	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	2,518
Est Annual Total (\$ mil)	\$10.9	\$11.0	\$11.1	\$11.2	\$11.3	\$11.4	\$11.5	\$11.6	\$11.7	\$11.8	\$12.0	
Medicare Eligible												
Retiree Only	\$161.96	\$163.58	\$165.20	\$166.82	\$168.44	\$170.06	\$171.68	\$173.30	\$174.92	\$176.54	\$178.16	6,643
Retiree & NME SP	565.34	571.00	576.64	582.30	587.96	593.60	599.26	604.92	610.56	616.22	621.88	393
Retiree & Child(ren)	381.26	385.08	388.88	392.70	396.52	400.32	404.14	407.94	411.76	415.58	419.38	77
Retiree & NME SP&CH	784.64	792.48	800.34	808.18	816.02	823.88	831.72	839.56	847.42	855.26	863.10	27
Retiree & ME SP	388.02	391.90	395.78	399.66	403.54	407.42	411.30	415.18	419.06	422.94	426.82	2,435
Retiree & ME SP & CH	607.32	613.40	619.46	625.54	631.62	637.68	643.76	649.84	655.90	661.98	668.06	31
Est. Monthly Total (\$mil)	\$2.3	\$2.3	\$2.4	\$2.4	\$2.4	\$2.4	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	9,606
Total (Est. Annual)	\$27.7	\$28.0	\$28.3	\$28.6	\$28.9	\$29.1	\$29.4	\$29.7	\$30.0	\$30.2	\$30.5	

Appendix B: Pharmacy Reimbursement



- Board adopted MedImpact proposed rates for the large majority of pharmacies
 - AWP -15.65% for brand (-13.65% for certain rural pharmacies)
 - Dispensing fee of \$1.50
 - New MAC pricing
- Expected savings of \$16 million (2015)
 - \$8 million to members
 - \$8 million to plan
 - For projections, reduction in 2017 plan costs of approximately 8% for ASE and 4% for PSE
 - Savings could be higher if usual & customary prices remain below AWP – 15.65% for non-MAC generic drugs

Appendix C: Medicare Prescription Drug Plans (PDPs)



- Medicare PDPs in Arkansas range in premiums from \$11.40 to \$131.90 in 2016
 - Median price of \$36/month
 - 22 out of 24 are below \$80/month
 - 11 plans are Enhanced (better benefits than basic Part D)
 - 8 plans have no deductibles
- Available to all individuals with no premium surcharge if had creditable coverage (like ARBenefits)
 - Income-Related Monthly Adjustment Amount (IRMAA) may apply to high income retirees
- Benefits and formularies vary by plan
- Participants can go to Medicare.gov and enter their drugs to be sure they have a plan that covers their current medications
- If a reduction in retiree contributions is offered
 - The majority of retirees will likely pay less in total out-of-pocket costs for a Medicare PDP than ARBenefits plans
 - A minority of retirees could pay more

Appendix D: Assumptions



- Based on actual May 2016 enrollment, medical claims incurred 6/1/2015 – 5/31/2016; pharmacy claims incurred 7/1/2015 – 6/30/2016
 - Net Migration of approximately 600 ASE and 600 PSE active employees from Premium to Basic annually
 - No growth in actives or NME retirees after 2017
 - Annual Growth of 400 ME retirees for PSE and 200 ME retirees for ASE

- Annualized Trend Rates of

	<u>2016</u>	<u>2017</u>
Medical (Actives & NME Retirees)	10%	6%
Medical (ME Retirees)	20%	6%
Pharmacy (all groups)	11%	10%

- Pharmacy reimbursement as approved by the Board in March 2016
- **No changes to State contributions for ASE or PSE**
- 90% wellness participation for PSE; 88% for ASE
- No changes in benefits

Appendix D: Use & Disclosures



- Projections are based on incurred claim experience as indicated. Incurred claims are completed from pharmacy paid experience through June 2016 and medical paid experience through July 2016, adjusted for demographic, benefits, and network changes.
- Estimates of impact of pharmacy changes are intended to be conservative estimates. Our estimates assume the pharmacies' usual and customary rates will be above the discounted AWP or MAC charge, as applicable. Estimates rely on 2015 actual experience without trend and unadjusted for the Medicare Retiree Drug subsidy. Savings for classic and basic are allocated to members according to the member proportion of the original claim.
- In preparing the information in this presentation, we relied on information (some oral and some written) supplied by the EBD and the Plan's vendors. This information includes, but is not limited to, the plan provisions, employee eligibility data, financial information, and claims data. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. Unless otherwise indicated, this presentation does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.
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35