



AGENDA

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

**May 15th, 2020
10:00 a.m.**

EBD Board Room – 501 Building, Suite 500

- I. Call to Order..... Susan Gardner, Chair***
- II. Approval of April Minutes Susan Gardner, Chair***
- III. Plan AnalysisElizabeth Montgomery & Mike Motley, ACHI***
- IV. Plan Update.....Paul Sakhrani & Courtney White, Milliman***
- V. Director's Report Chris Howlett, EBD Director***
- VI. Adjournment..... Susan Gardner, Chair***

2020 Upcoming Meetings:

June 12th, July 17th, August 14th

NOTE: All material for this meeting will be available by electronic means only

Notice: Silence your cell phones. Keep your personal conversations to a minimum.

BENEFITS MEETING MINUTES

The Benefits Sub-Committee of the State and Public School Life and Health Insurance Board (hereinafter called the Committee) met on May 15, 2020, at 10:00 a.m. via teleconference

Date | time 5/15/2020 10:00 AM | Meeting called to order by Susan Gardner, Chair

In Attendance

Members Present

Susan Gardner – Chair
Claudia Moran – proxy – Janis Harrison
Stephanie Lilly-Palmer
Ronnie Kissire – Vice-chair
Cindy Allen
Carla Haugen
Herb Scott
Chris Howlett, Employee Benefits Division (EBD) Director

Members Absent

Others Present

Rhoda Classen, Shalada Toles, Mary Massirer, Theresa Huber, EBD; Ronda Walthall, ARDOT; Elizabeth Montgomery, Mike Motley, ACHI; Micah Bard, Sherry Bryant, EBRx UAMS; Jessica Akins, HA; Paul Sakhrani, Courtney White, Scott Cohen, Milliman; Treg Long, ACS; John Colberg, Gaelle Gravot, Cheiron; Nima Nabavi, Amgen; Sidney Keisner, UAMS; Suzanne Woodall, Medimpact; Daniel Faulkner; Marissa Keith, BI

Approval of Minutes by Susan Gardner, Chair

MOTION by Lilly-Palmer:

Move to approve the April 10, 2020 minutes.

Scott seconded; all were in favor.

Minutes Approved.

Plan Analysis: Elizabeth Montgomery & Mike Motley, ACHI

Montgomery and Motley presented new analyses regarding COVID-19 impact on the plan and review options for additional related analyses.

Discussion

Gardner: What is the overall percentage of the members that tested positive from the total of all members?

Motley: There are 239 that have tested positive. We haven't done the calculation to the total members, but we can look at that. I think we would want to know that actual current member account associated with that date, and then we can bring that back to you.

Howlett: We had an opportunity with the Department of Health and ACHI. They were partnering to do an analysis, and that is where the high-level piece came in. We took an opportunity as presented today with the intro to what ACHI is doing on behalf of the plan. There will be a lot more analysis to come, and we will be able to present that to you.

Plan Update by Paul Sakhrani & Courtney White, Milliman

Sakhrani and White provided an educational piece on trends and an update on plan experience for ASE and PSE.

ASE

- 2020 & 2021 projections updated to incorporate claims data incurred from March 2019 to February 2020 and paid through April 2020
- 2020 projected plan experience
 - Allocated reserves for 2020 is \$25.1M
 - Estimated deficit of \$16.2M
 - End of Year Assets: \$55.4M
 - No plan changes / 5% increase in employee contributions
- 2021 plan experience
 - No additional funding (\$14.5M allocated assets)
 - Projected deficit: \$36.6M
 - End of Year Assets: \$4.3M
 - No plan design or contribution changes
 - Increased membership based on historical patterns
 - Baseline trends (medical: 5%, pharmacy: 8%)

PSE

- Projections updated to incorporate claims data incurred from March 2019 to February 2019 and paid through April 2020
- 2020 plan experience
 - Allocated reserves for 2020 is \$25.3M
 - Estimated deficit of \$23.9M
 - End of Year Assets: \$99.9M
 - No plan changes / 0% increase to employee contributions
- 2021 plan experience
 - No additional funding (\$15.5M allocated assets)
 - Projected deficit: \$63.5M
 - End of Year Assets: \$20.9M
 - No plan design or contribution changes

- Increased membership based on historical patterns
- Baseline trends (medical: 7%, pharmacy: 8%)
-

Discussion:

Kissire: As far as the PSE, I don't see the schools adding anymore, so it will have to come from the employees. Schools are already required to up their contributions if we give any raises. So, I don't see that happening.

Director's Report by Chris Howlett, EBD Director

Howlett provided an update on the diabetic recommendation that was put forth by this committee. It was approved at the last Board meeting, and we have worked on the implementation of that. What did pass was that the director of EBD would provide updates to the Board and to this subcommittee, as well, of the status of the change migration from Kannact over to them getting it from their local pharmacy and us being able to rebate the supplies and different sensors and things on the CGMs. We have been successful with that. The population has been lettered with a start date of 7/1 being used for that.

Discussion

Scott: Did you say that the change would be effective July 1?

Howlett: As far as the diabetic stuff, we did set the date on July 1. We had to give a date from the lettering perspective, but we are treating that with the recommendation for me to keep you updated as we move into it. We will be treating it as a somewhat soft date if we run across any issues with some individuals.

Kissire: When will we see the impact on savings because of COVID-19. I know that is going to carry over as people try to catch back up because of all the operations and surgeries were not essential.

Howlett: We saw our first plan reduction in the last week of March. The amount of claims was down overall, about 25%. We were spending about ten million on both trust funds. So, about five million a piece each week was our average claim cost. We went into the last week of March and the first few days of April, seeing a reduction. It dropped from nine to ten million to right at five million flat. There was a continuation that claims reduction. As you know, the elective procedures have started back with the governor and Secretary Smith's requirements of the 48-hour pre-COVID and a fever-free. In line with how we have gotten back to more fluid operations in our state, we probably realized about four weeks' worth of savings roughly.

MOTION by Scott:

I make a motion to adjourn the meeting.

Kissire seconded; all were in favor.

Meeting Adjourned

MAY 2020 BENEFITS SUBCOMMITTEE PRESENTATION

Mike Motley, MPH
Director, Analytics

Izzy Montgomery, MPA
Policy Analyst

5.15.2020

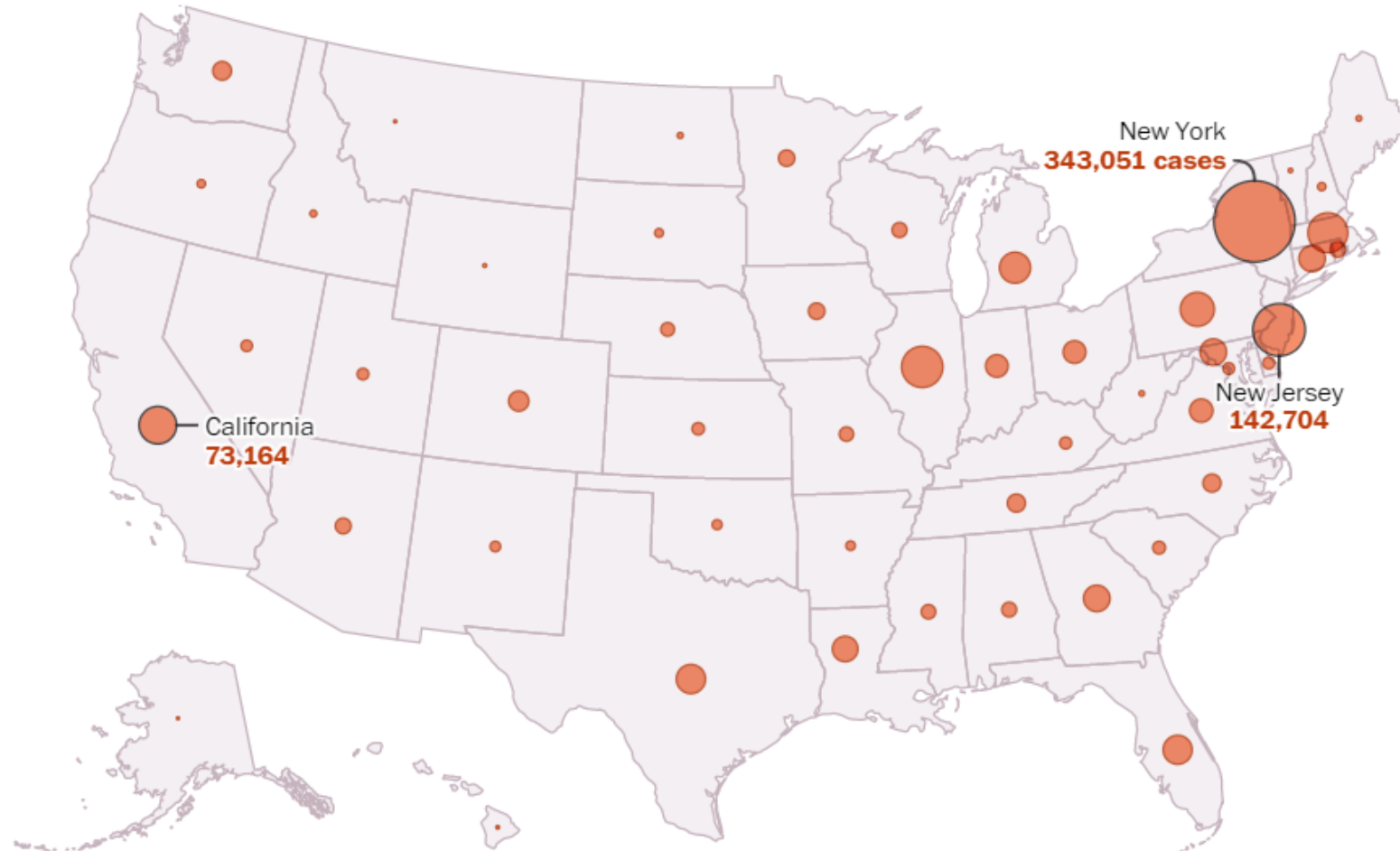


OBJECTIVES

- Present new analyses regarding COVID-19 impact on plan
- Review options for additional related analyses



COVID-19: CONFIRMED CASES IN THE U.S.



Source: Washington Post

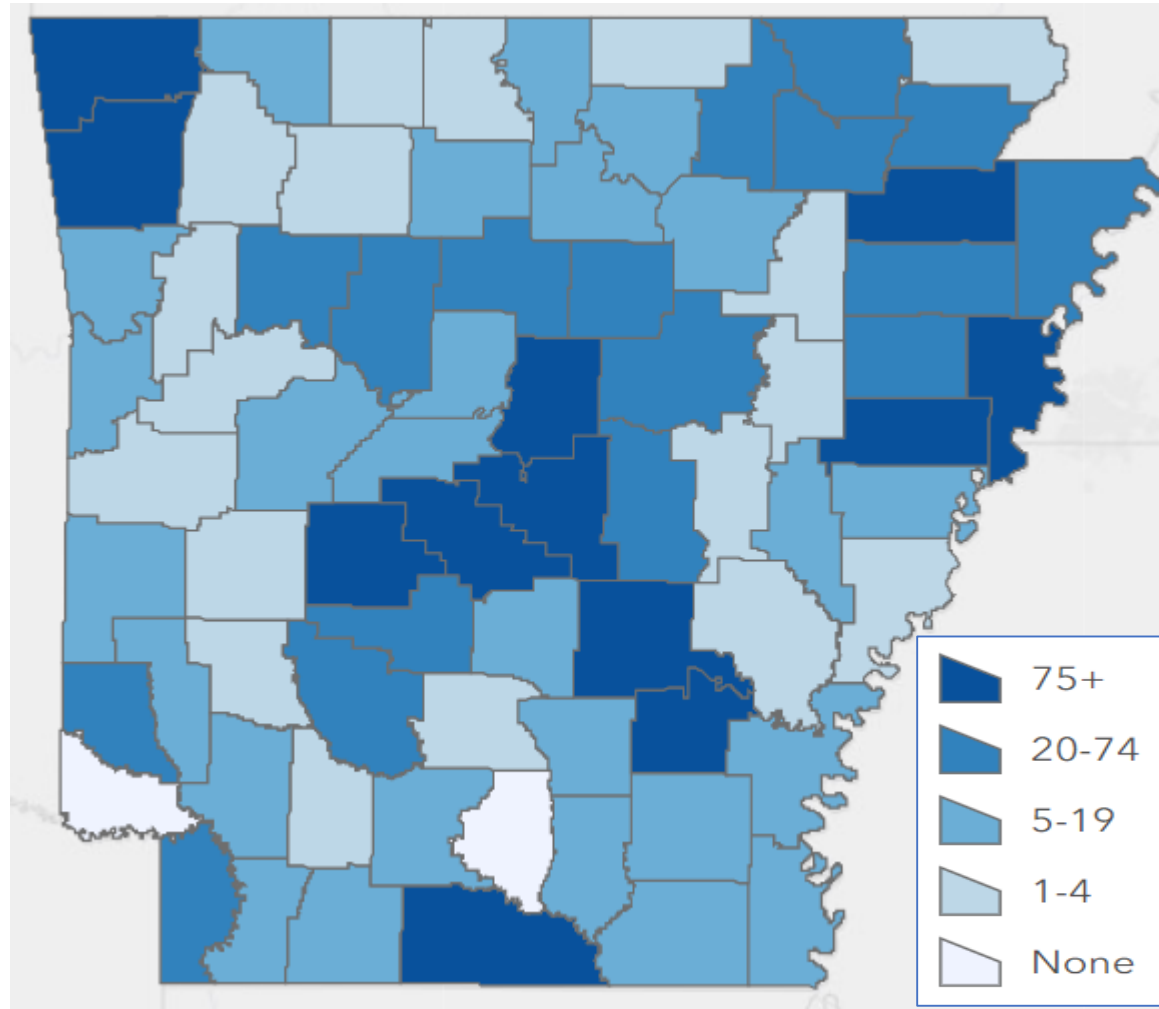
Confirmed Cases
1,411,134

Reported Deaths
85,160

As of May 15
8:30 a.m.



COVID-19: CONFIRMED CASES BY AR COUNTY



Cumulative Cases:

4,366

Hospitalized: **69**

On Ventilator: **10**

Deaths: **98**

Recoveries: **3,340**

*As of May 15
8:30 a.m.*

Source: Arkansas Department of Health



COVID-19 PLAN IMPACT

- ACHI has worked with Arkansas Department of Health to obtain COVID-19 data
- Developing analyses to determine ongoing impact of COVID-19
- Preliminary analyses today on number of positive cases and hospitalizations

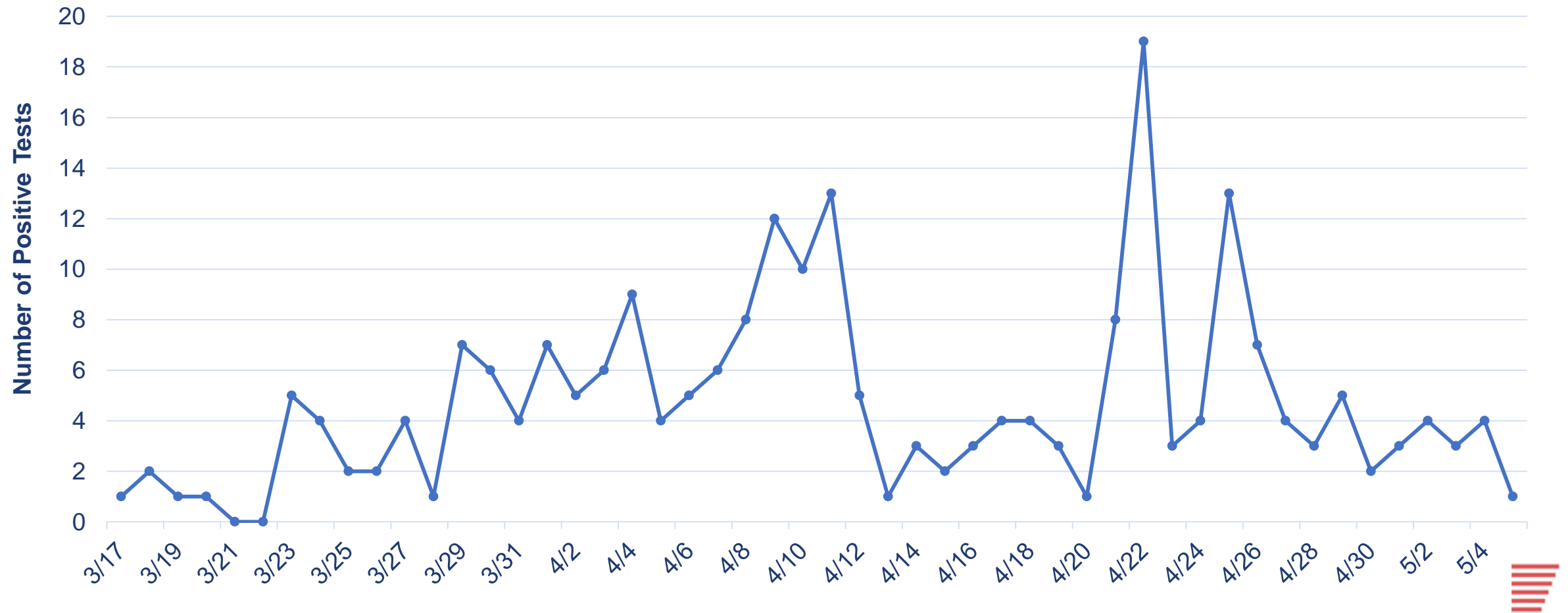


COVID-19 ANALYSES

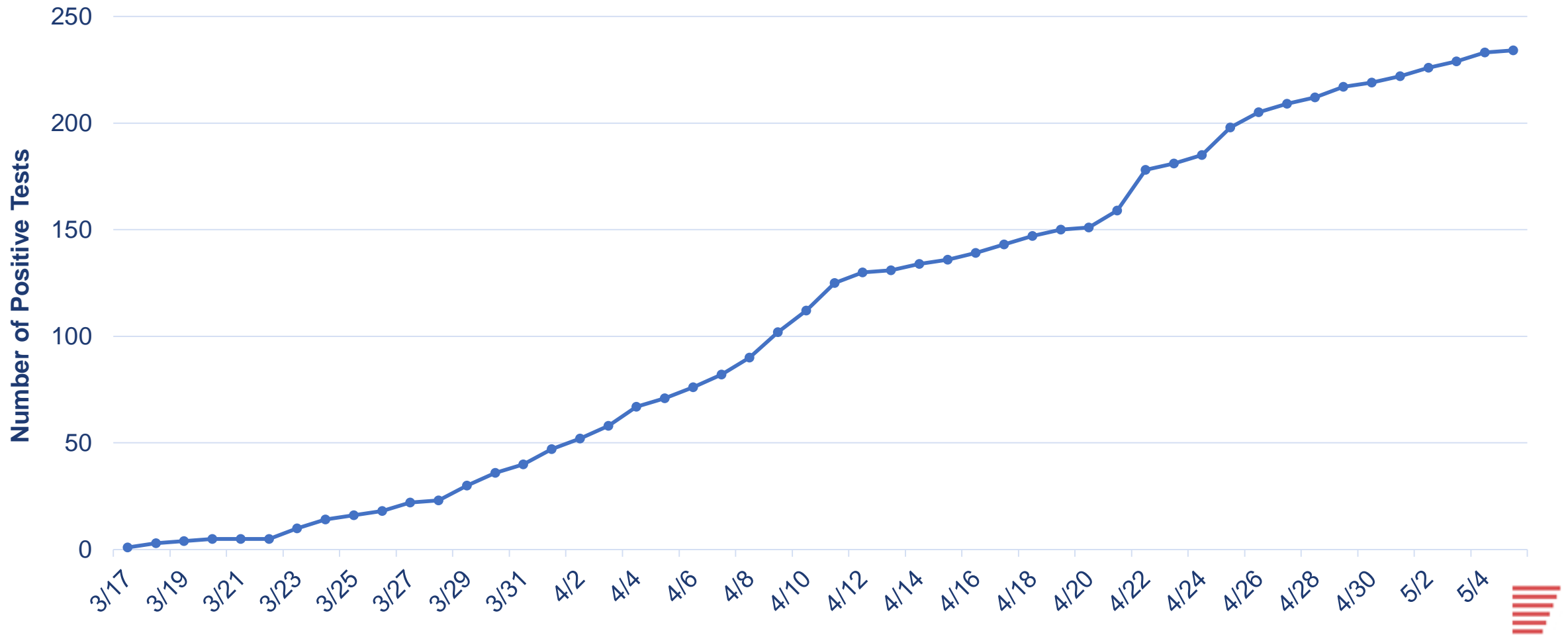
- Data from March 17 through May 5, 2020
- Total number of members with positive test: 239
- Total number of members hospitalized: 26



DAILY POSITIVE TEST COUNT



CUMULATIVE POSITIVE TEST COUNT



POTENTIAL COVID-19 ANALYSES

- Ongoing updates of positive cases
- Assessment of geographic “hot spots” of positive cases
- Assessment of number of members tested
- Hospitalization-related cost impact
- Comorbid condition impact
- Increase in telemedicine utilization
- Variation in elective procedure utilization



State of Arkansas Employee Benefits Division

Interim Monitoring Report

Through April 30th

State and Public School Life and Health Insurance Benefits Subcommittee

Courtney White, FSA, MAAA
Paul Sakhrani, FSA, MAAA

15 MAY 2020

Agenda

- Arkansas State Employees (ASE)
 - Plan Experience
- Public School Employees (PSE)
 - Plan Experience
- Reducing the Plan Deficit
 - Plan Funding
 - Employee Contribution
 - Plan Design
 - Program initiatives
- Appendices
 - A. Plan summary
 - B. Assumptions / methodology
 - C. Limitations & caveats

Arkansas State Employees (ASE)

Executive Summary

- 2020 & 2021 projections updated to incorporate claims data incurred from March 2019 to February 2020 and paid through April 2020
- 2020 projected plan experience
 - Allocated reserves for 2020 is \$25.1M
 - Estimated deficit of \$16.2M
 - End of Year Assets: \$55.4M
 - No plan changes / 5% increase in employee contributions
- 2021 projected plan experience
 - No additional funding (\$14.5M allocated assets)
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 - Increased membership based on historical patterns
 - Baseline trends (medical: 5%, pharmacy: 8%)

Total Plan Experience

<u>Funding</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
State Contribution	\$ 173.61	\$ 172.24	\$ 172.24
Employee Contribution	97.45	99.66	100.34
Other	23.47	21.65	21.80
Total Income	\$ 294.53	\$ 293.55	\$ 294.37
Medical Claims	\$ (194.56)	\$ (222.07)	\$ (224.20)
Pharmacy Claims	(86.58)	(99.82)	(109.32)
Administration Fees	(18.30)	(17.52)	(17.64)
Plan Administration	(2.90)	(2.81)	(2.91)
Total Expenses	\$ (302.34)	\$ (342.21)	\$ (354.06)
Program Savings	\$ -	\$ 7.40	\$ 8.67
Net Income / (Loss) Before Reserve Allocation	\$ (7.82)	\$ (41.26)	\$ (51.02)
Allocation of Reserves	\$ 21.70	\$ 25.08	\$ 14.46
Net Income / (Loss) After Reserve Allocation	\$ 13.89	\$ (16.18)	\$ (36.56)

<u>Average Membership</u>			
Active Employees / Pre-65 Retirees	47,719	46,911	46,911
Post-65 Retirees	13,346	13,813	14,228
Total Enrolled	61,065	60,724	61,138

Total Income PMPM¹	\$ 431.55	\$ 437.27	\$ 420.95
Total Expenses PMPM²	\$ (412.59)	\$ (459.47)	\$ (470.78)

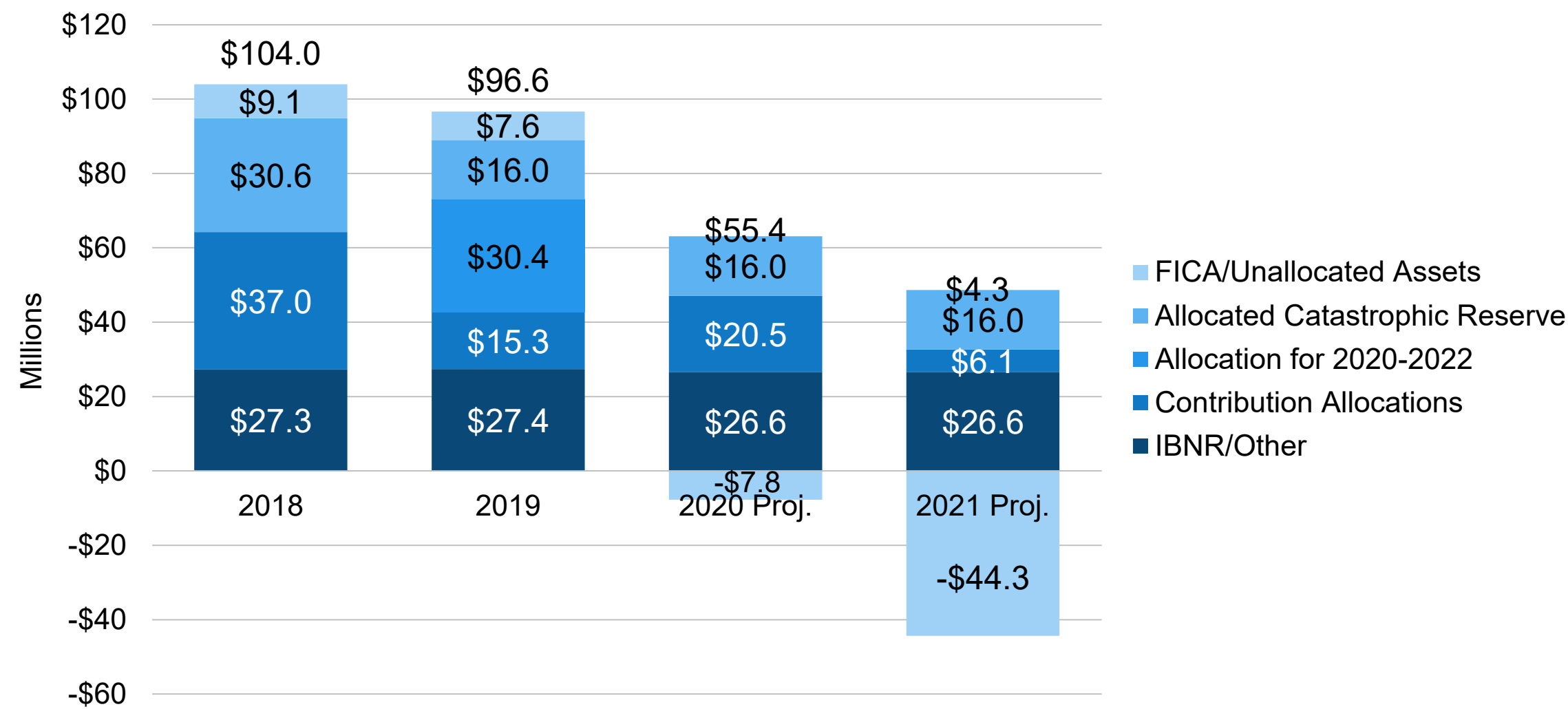
¹ Allocation of Reserves included in Total Income

² Total Expenses offset by Program Savings

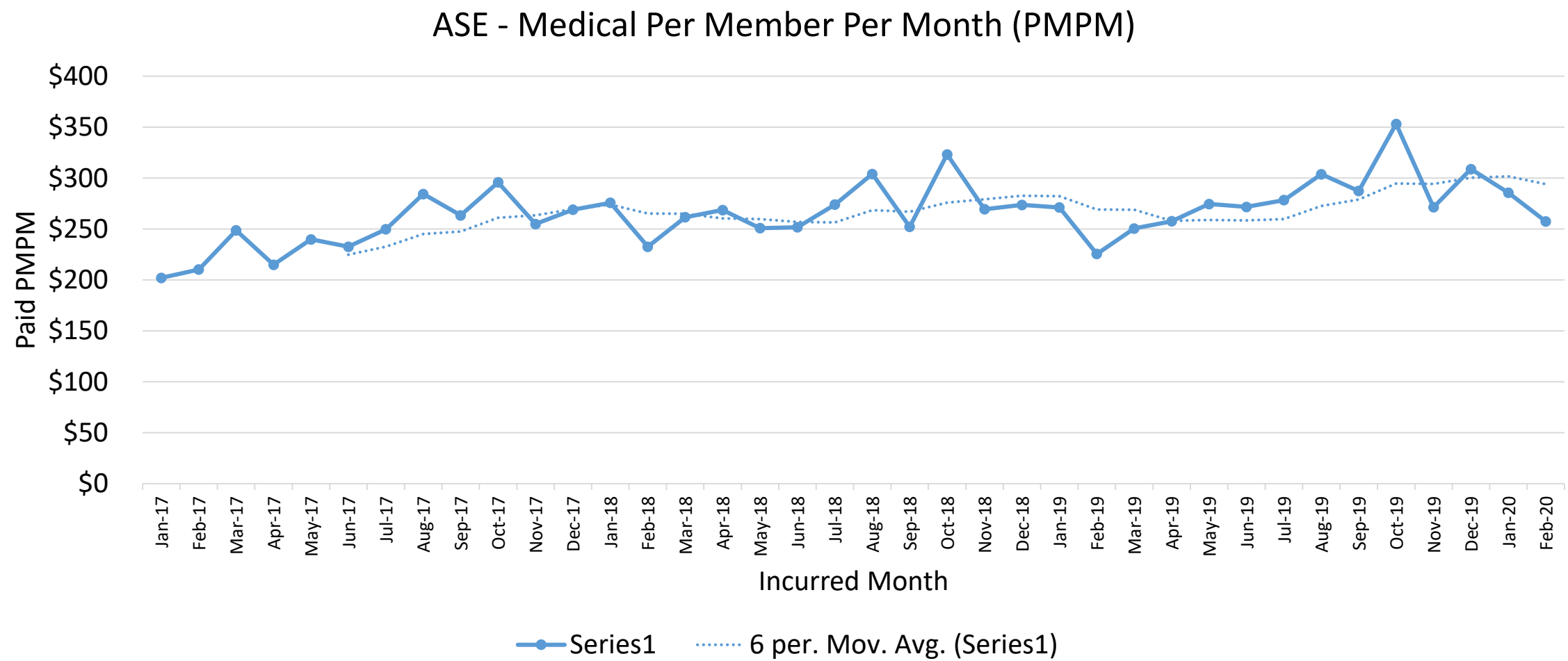
Projected Assets: 2019 – 2021

Development of 2021 End-of-Year Assets (\$millions)			
(a)	2019	End-of-Year Assets	\$96.6
(b)	2020	Total Income	\$293.5
(c)		Total Expenses	(\$334.8)
(d)		Allocated Assets	<u>\$25.1</u>
(e) = (b) + (c) + (d)		Total Surplus / (Deficit)	(\$16.2)
(f) = (a) - (d) + (e)		End-of-Year Assets	\$55.4
(g)	2021	Total Income	\$294.4
(h)		Total Expenses	(\$345.4)
(i)		Allocated Assets	<u>\$14.5</u>
(j) = (g) + (h) + (i)		Total Surplus / (Deficit)	(\$36.6)
(k) = (f) - (i) + (j)		End-of-Year Assets	\$4.3

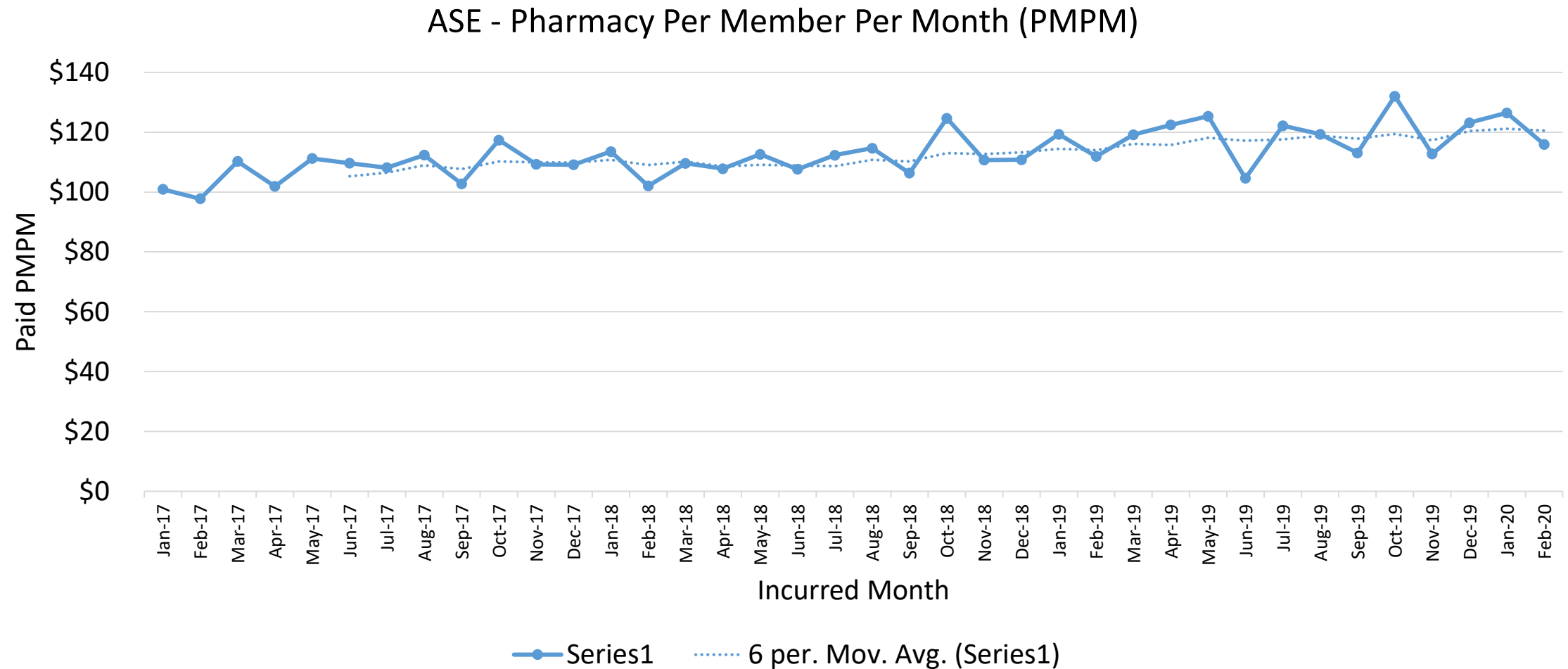
End of Year Assets



Monthly Trend - Medical



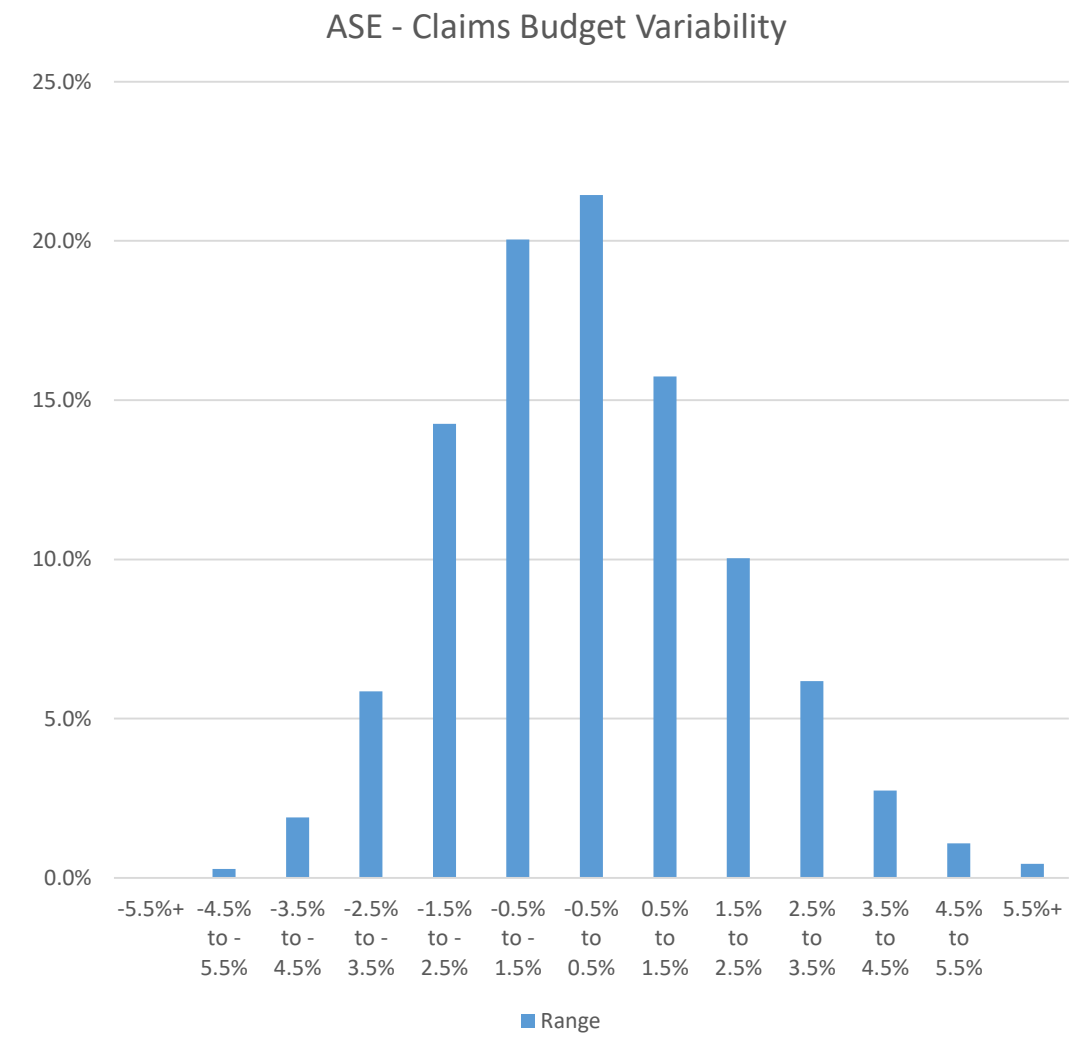
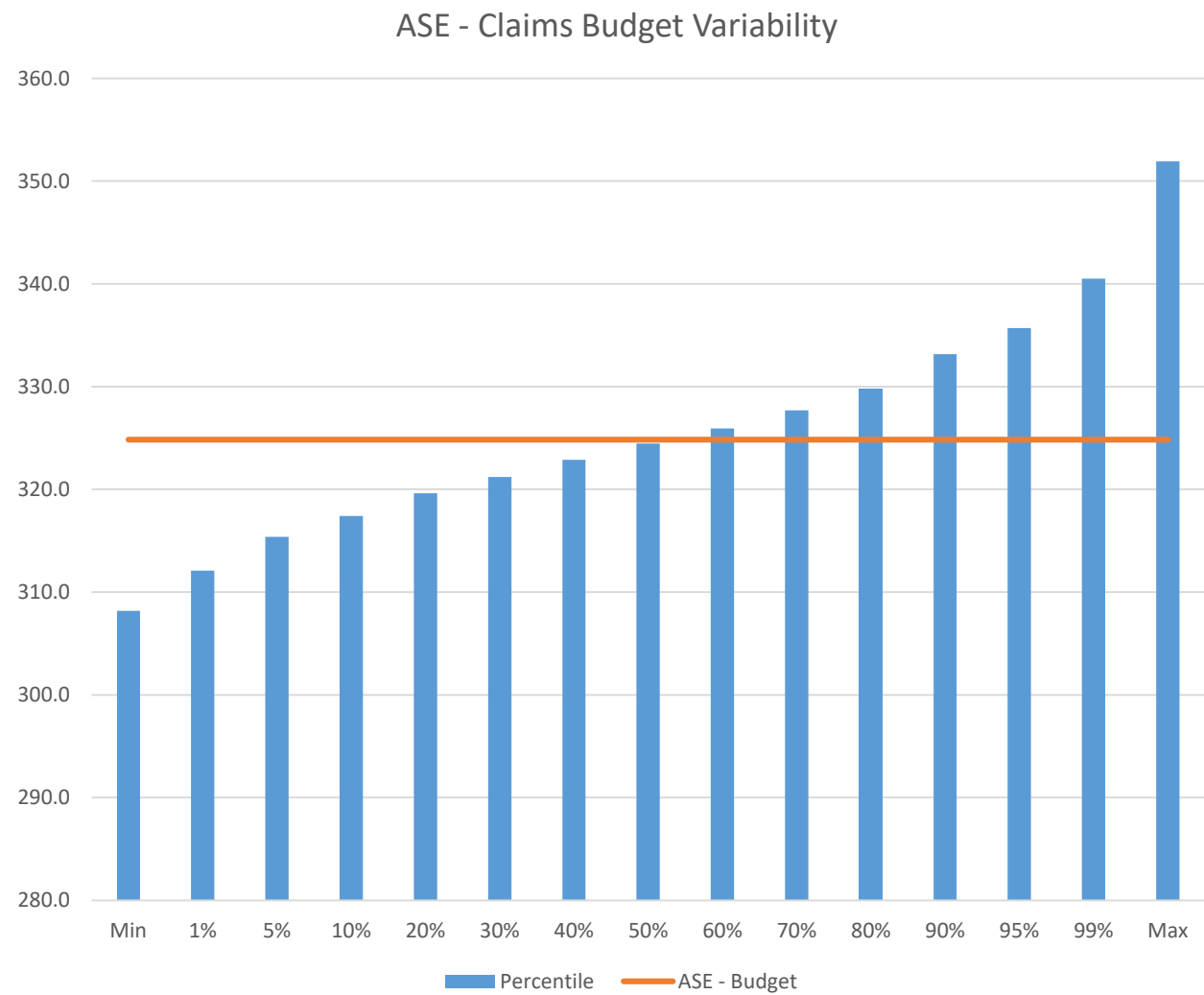
Monthly Trend - Pharmacy



Sensitivity Testing - Trends

Trend Scenario	2021 - ASE Impact	2021 - PSE Impact
+/- 1% medical	+\$3.7M/- \$3.7M	+\$5.1M/- \$5.1M
+/- 2% medical	+\$7.5M/- \$7.4M	+\$10.2M/- \$10.1M
+/- 3 % medical	+\$11.2M/- \$11.0M	+\$15.4M/- \$15.1M
+/- 1% pharmacy	+\$1.9M/- \$1.8M	+\$1.4M/- \$1.3M
+/- 2% pharmacy	+\$3.7M/- \$3.7M	+\$2.7M/- \$2.7M
+/- 3 % pharmacy	+\$5.6M/- \$5.5M	+\$4.1M/- \$4.0M

Monte Carlo – Claims Variability Noise



Public School Employees (PSE)

Executive Summary

- Projections updated to incorporate claims data incurred from March 2019 to February 2020 and paid through April 2020
- 2020 plan experience
 - Allocated reserves for 2020 is \$25.3M
 - Estimated deficit of \$23.9M
 - End of Year Assets: \$99.9M
 - No plan changes / 0% increase to employee contributions
- 2021 projected plan experience
 - No additional funding (\$15.5M allocated assets)
 - Projected deficit: \$63.5M
 - End of Year Assets: \$20.9M
 - No plan design or contribution changes
 - Increased membership based on historical patterns
 - Baseline trends (medical: 7%, pharmacy: 8%)

Total Plan Experience

<u>Funding</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
PPE Funding	\$ 102.39	\$ 105.34	\$ 108.86
Employee Contribution	121.12	124.17	128.31
Dept of Ed Funding	88.10	88.10	88.10
Other	15.02	14.88	15.38
Total Income	\$ 326.64	\$ 332.50	\$ 340.65
Medical Claims	\$ (247.12)	\$ (284.18)	\$ (314.37)
Pharmacy Claims	(60.87)	(72.28)	(79.80)
Administration Fees	(28.46)	(28.16)	(29.17)
Plan Administration	(2.61)	(2.55)	(2.63)
Total Expenses	\$ (339.06)	\$ (387.17)	\$ (425.98)
Program Savings	\$ -	\$ 5.53	\$ 6.33
Net Income / (Loss) Before Reserve Allocation	\$ (12.42)	\$ (49.14)	\$ (79.00)
Allocation of Reserves	\$ 12.66	\$ 25.25	\$ 15.48
Net Income / (Loss) After Reserve Allocation	\$ 0.23	\$ (23.88)	\$ (63.53)

<u>Average Membership</u>			
Active Employees / Pre-65 Retirees	82,317	84,312	86,723
Post-65 Retirees	14,279	15,061	15,964
Total Enrolled	96,595	99,373	102,688

Total Income PMPM¹	\$ 292.71	\$ 300.01	\$ 289.00
Total Expenses PMPM²	\$ (292.51)	\$ (320.03)	\$ (340.56)

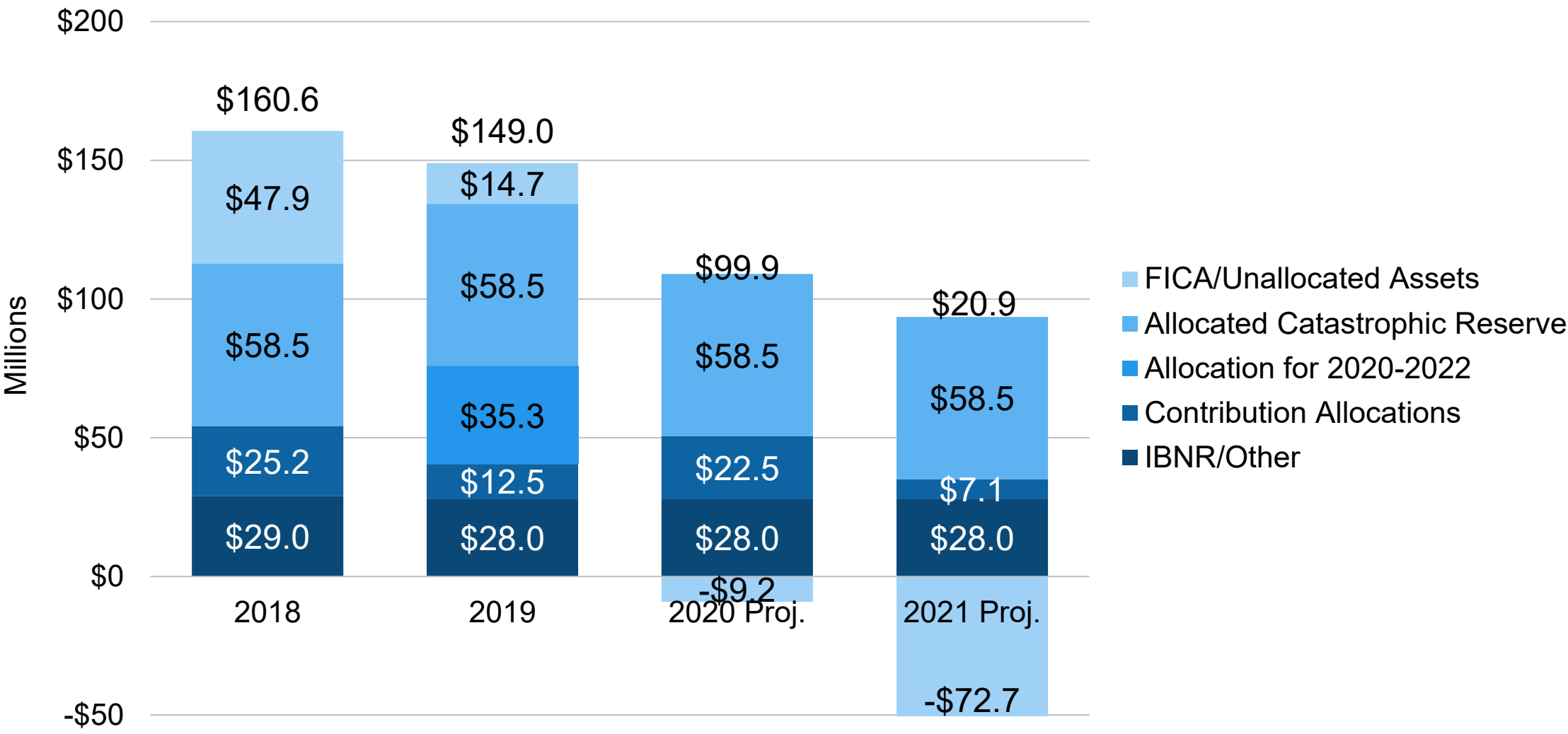
¹ Allocation of Reserves included in Total Income

² Total Expenses offset by Program Savings

Projected Assets: 2019 – 2021

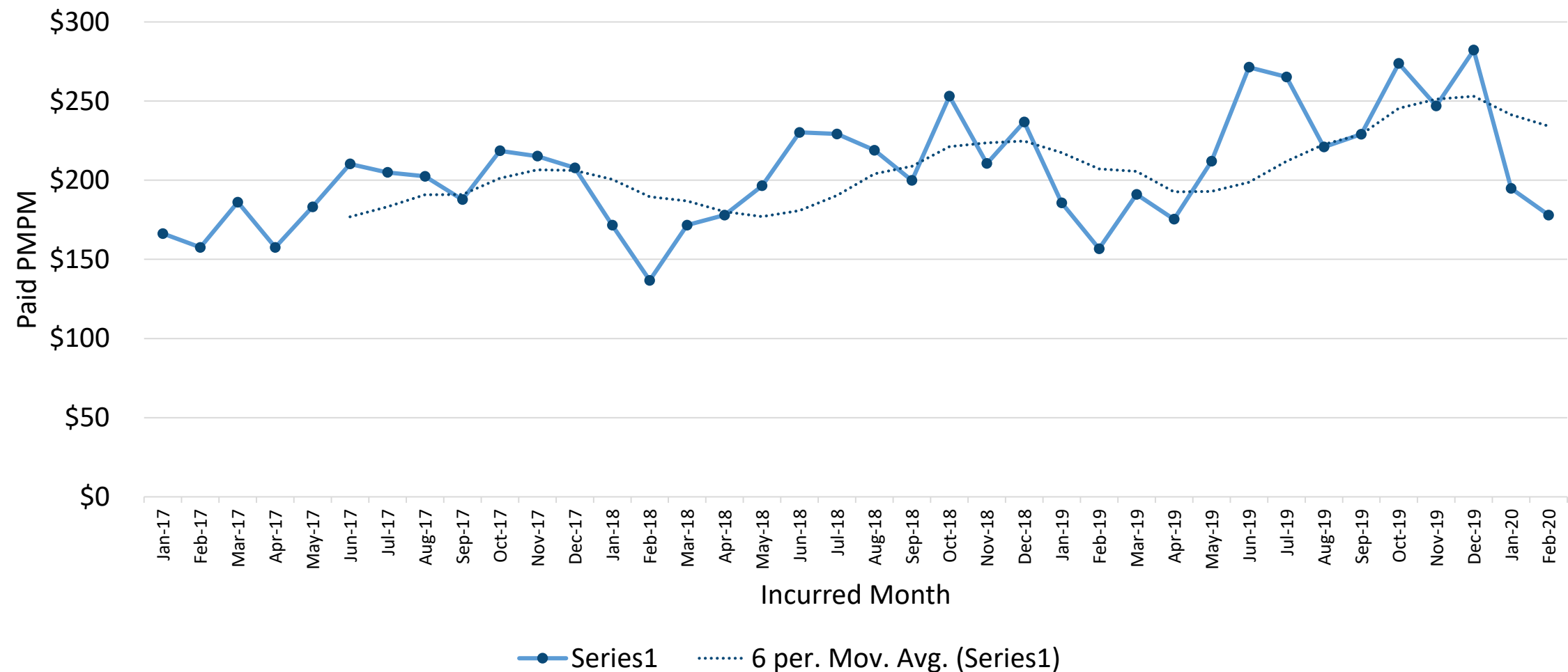
Development of 2021 End-of-Year Assets (\$millions)			
(a)	2019	End-of-Year Assets	\$149.0
(b)	2020	Total Income	\$332.5
(c)		Total Expenses	(\$381.6)
(d)		Allocated Assets	<u>\$25.3</u>
(e) = (b) + (c) + (d)		Total Surplus / (Deficit)	(\$23.9)
(f) = (a) - (d) + (e)		End-of-Year Assets	\$99.9
(g)	2021	Total Income	\$340.6
(h)		Total Expenses	(\$419.7)
(i)		Allocated Assets	<u>\$15.5</u>
(j) = (g) + (h) + (i)		Total Surplus / (Deficit)	(\$63.5)
(k) = (f) - (i) + (j)		End-of-Year Assets	\$20.9

End of Year Assets

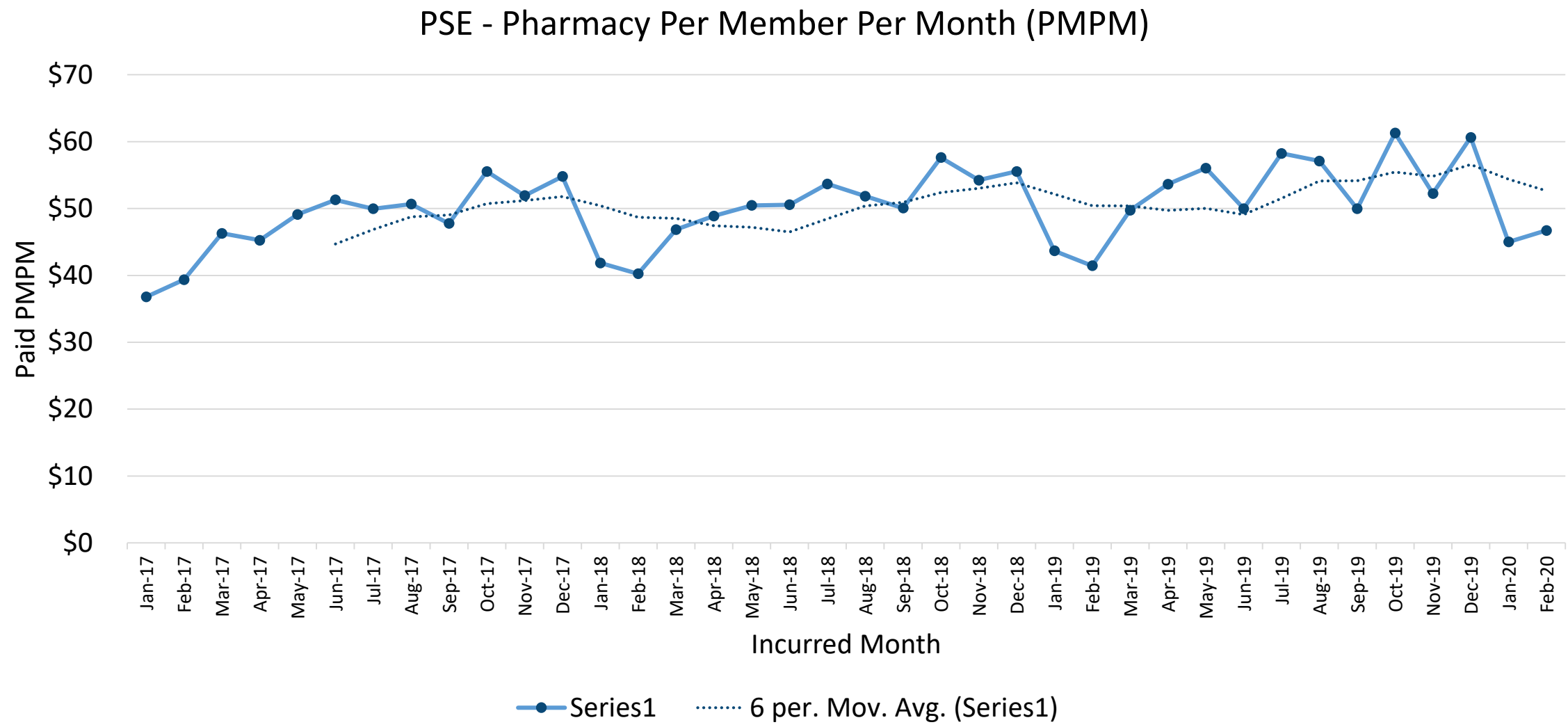


Monthly Trend - Medical

PSE - Medical Per Member Per Month (PMPM)



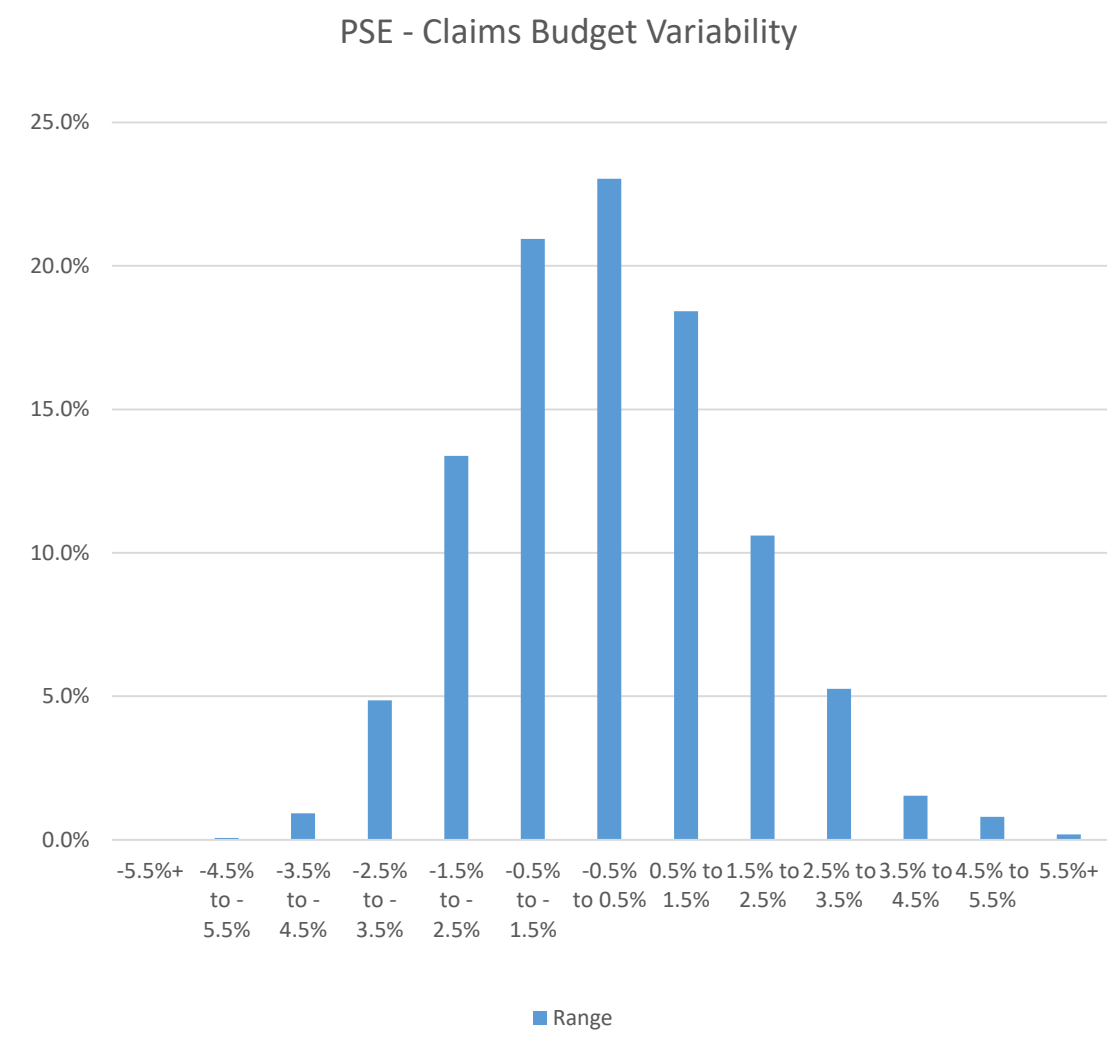
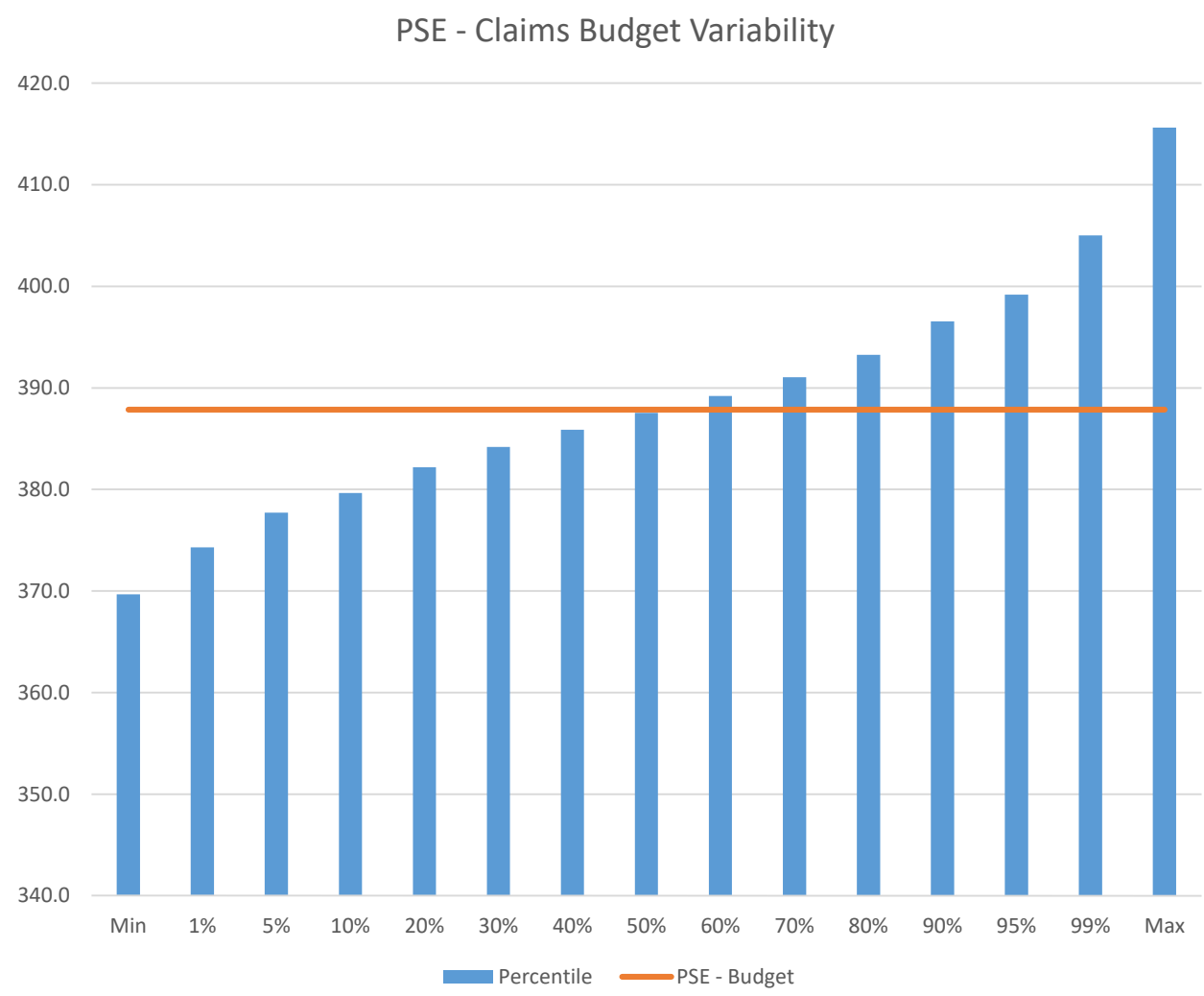
Monthly Trend - Pharmacy



Sensitivity Testing - Trends

Trend Scenario	2021 - ASE Impact	2021 - PSE Impact
+/- 1% medical	+\$3.7M/- \$3.7M	+\$5.1M/- \$5.1M
+/- 2% medical	+\$7.5M/- \$7.4M	+\$10.2M/- \$10.1M
+/- 3 % medical	+\$11.2M/- \$11.0M	+\$15.4M/- \$15.1M
+/- 1% pharmacy	+\$1.9M/- \$1.8M	+\$1.4M/- \$1.3M
+/- 2% pharmacy	+\$3.7M/- \$3.7M	+\$2.7M/- \$2.7M
+/- 3 % pharmacy	+\$5.6M/- \$5.5M	+\$4.1M/- \$4.0M

Monte Carlo – Claims Variability Noise



Reducing the Plan Deficit

Leveraging

- If employee benefits remain fixed, then the plan paid cost will increase at a higher rate to absorb the impact on employees
- Plan Design Example:
 - Emergency Room Visit: \$1,000 dollars in 2020. Member cost share: \$500 deductible
 - Trend 5% to 2021. Deductible remains flat at \$500

2020 Cost Breakdown

\$1,000	Emergency Room visit
- \$500	Deductible
<hr/>	
\$500	Plan Paid

Trend

2021 Cost Breakdown

\$1,050	Emergency Room Visit
- \$500	Deductible
<hr/>	
\$550	Plan Paid

Plan cost goes from \$500 to \$550 an increase of 10%

Summary of Initiatives

- Current Deficit for 2021
 - ASE: \$36.5M (\$51M without allocated assets)
 - PSE: \$63.5M (\$79M without allocated asset)
- Funding
 - State Funding
 - District Funding
- Employee Contributions
 - Active / Pre-65 / Post-65
 - Employee / Spouse / Child
- Plan Design
 - Premium / Classic / Basic
- Program initiatives

Sensitivity Testing – State Funding (ASE)

- State Funding
 - Current funding is \$420 per budgeted position per month
 - \$1 dollar increase in state funding increasing total funding by approximately \$400K
- Current projected 2021 deficit for ASE \$36.5M (\$51M without allocation of reserve)

Additional Funding ¹	2021 Impact – ASE	2021 Budget – Impact ²
\$1 PEPM	\$400K	1.1%
\$2 PEPM	\$800K	2.2%
\$3 PEPM	\$1.2M	3.3%
\$4 PEPM	\$1.6M	4.4%
\$5 PEPM	\$2.0M	5.5%

1. Per budgeted position per month increase

2. Impact on budget = Savings / Deficit (example: \$1PEPM: \$400K / \$36.5M = 1.1%)

Sensitivity Testing – District Funding (PSE)

- District Funding
 - Current minimum funding in 2020 is \$161.87 per employee per month
 - Approximately 317 school districts
- Current projected 2021 deficit of \$63.5M (\$79M without allocation of reserve)

Additional Funding	2021 Impact – PSE ¹	2021 Budget – Impact ¹	# of Schools Districts Impacted ²
\$2.50 PEPM	\$700K	1.1%	220
\$5.00 PEPM	\$1.5M	2.4%	237
\$7.50 PEPM	\$2.4M	3.8%	247
\$10.00 PEPM	\$3.3M	5.2%	253

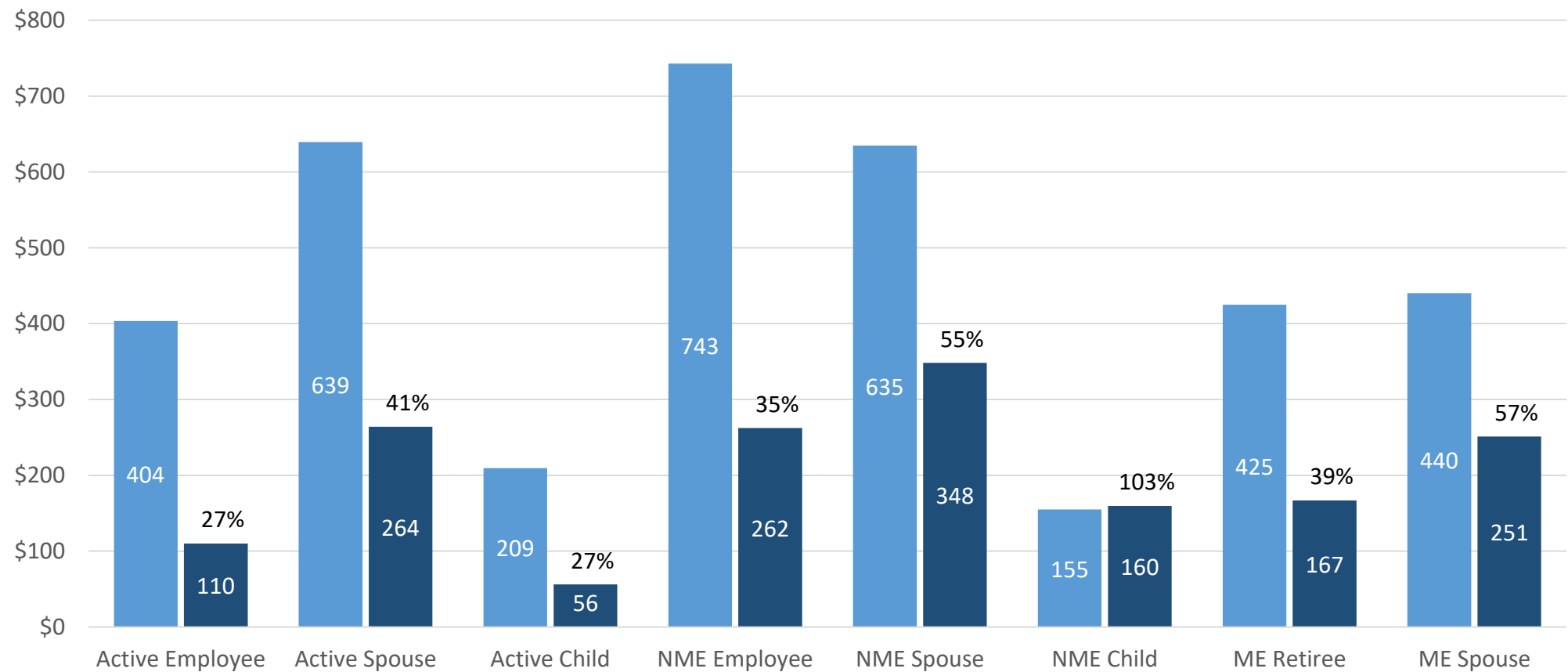
1. Impact on budget = Savings / Deficit (example: \$2.50 PEPM: \$700K / \$63.5M = 1.1%)

2. Assumes districts above the minimum contributions do not decrease their funding

ASE Cost vs. EE Contribution – By Relationship

2019 PMPM Claim Cost vs. Employer Contribution
by Relationship

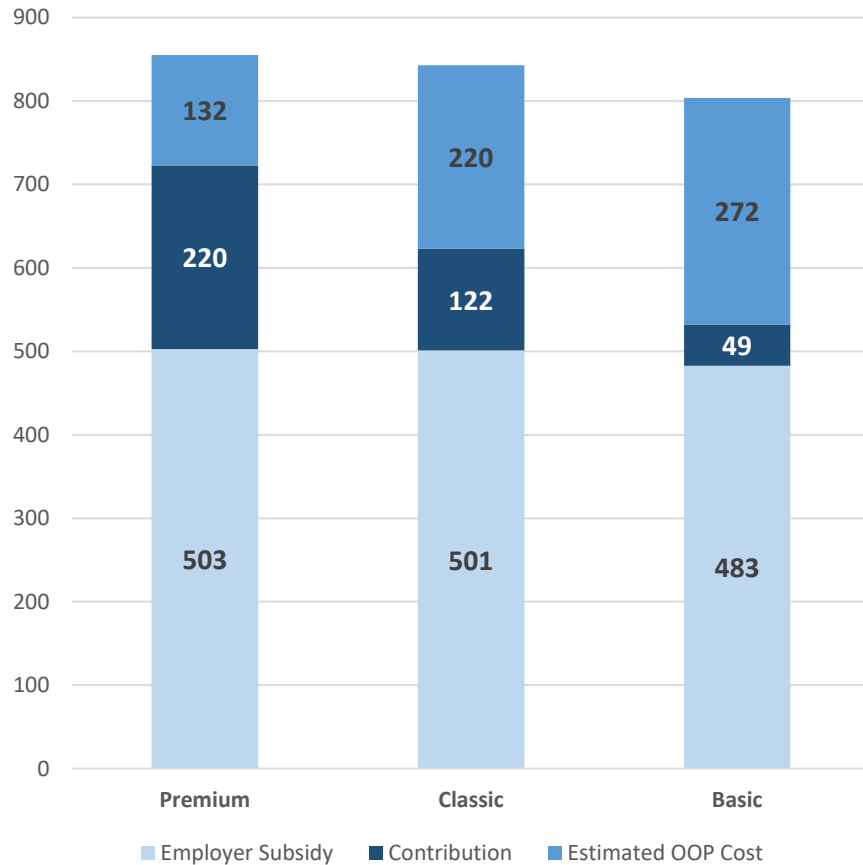
2019 Claim Cost
Employee Contribution
Cost Share %



Categorization is based on the subscriber's benefit election.

ASE Subsidy – By Plan Option

2019 PEPM Subsidization by Plan (Active)



Based on 2019 information – For illustrative purposes only

Plan Option	Premium	Employee Contribution ¹	Plan Subsidy
Premium Plan			
Employee Only	\$510.48	\$122.17	\$388.31
Employee + Spouse	\$1,138.22	\$404.71	\$733.51
Employee + Child	\$851.64	\$230.59	\$621.05
Family	\$1,479.40	\$513.13	\$966.27
Classic Plan			
Employee Only	\$446.18	\$62.13	\$384.05
Employee + Spouse	\$987.56	\$264.57	\$722.99
Employee + Child	\$740.42	\$126.99	\$613.43
Family	\$1,281.80	\$329.43	\$952.37
Basic Plan			
Employee Only	\$394.52	\$14.25	\$380.27
Employee + Spouse	\$864.62	\$150.71	\$713.91
Employee + Child	\$650.00	\$43.25	\$606.75
Family	\$1,120.10	\$179.71	\$940.39

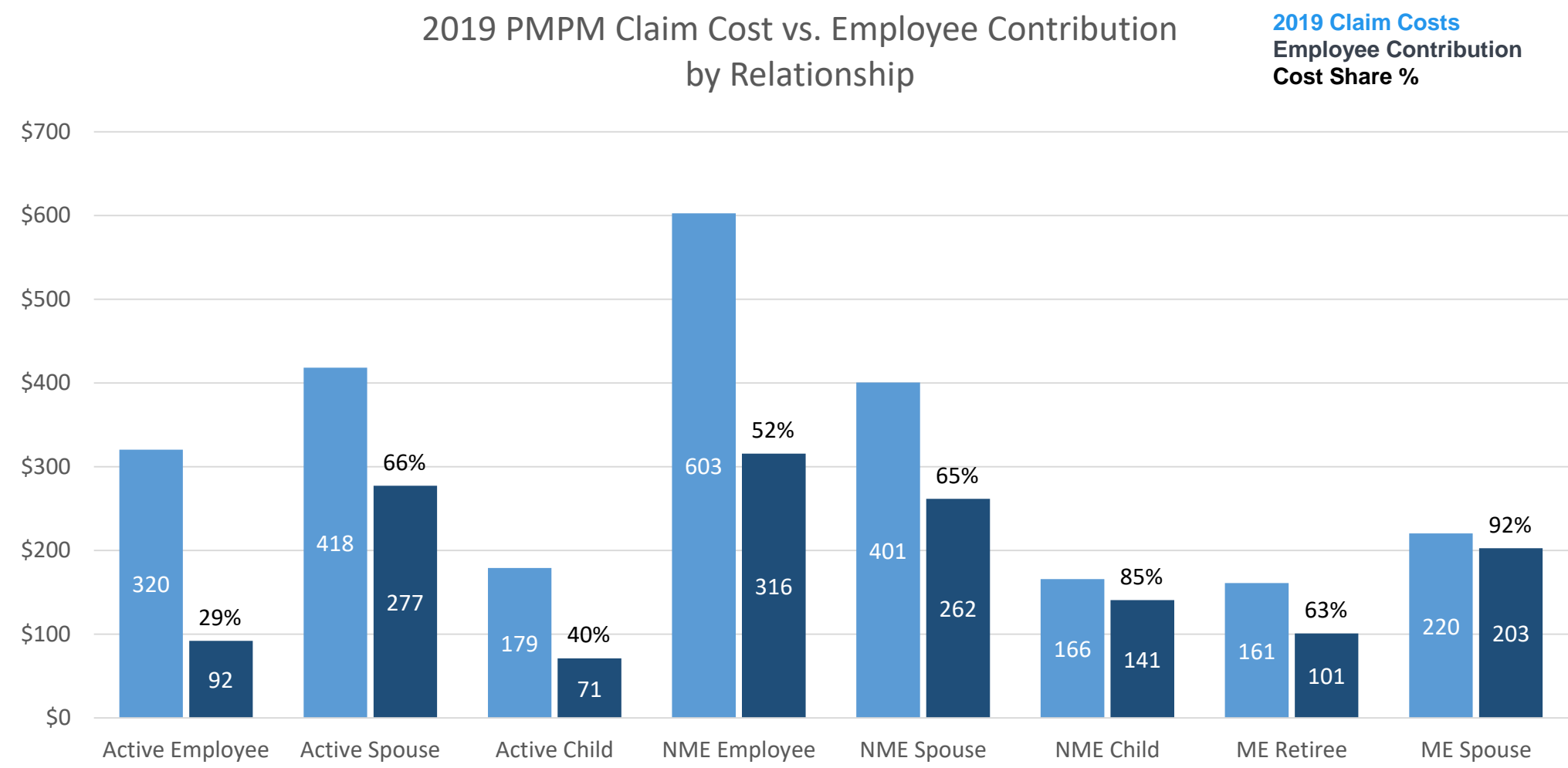
1. Contribution based on 81/19 wellness credit / non-wellness credit blend

Contribution Scenario (ASE)

- Employee contributions
 - Increase contributions by employee status (Active / Pre / Post)
 - Increase contribution by tier (EE only, EE + Sp, EE + Ch, EE + Family)
- Should maintain level subsidy by plan (i.e. keep contribution increases consistent among plan options)

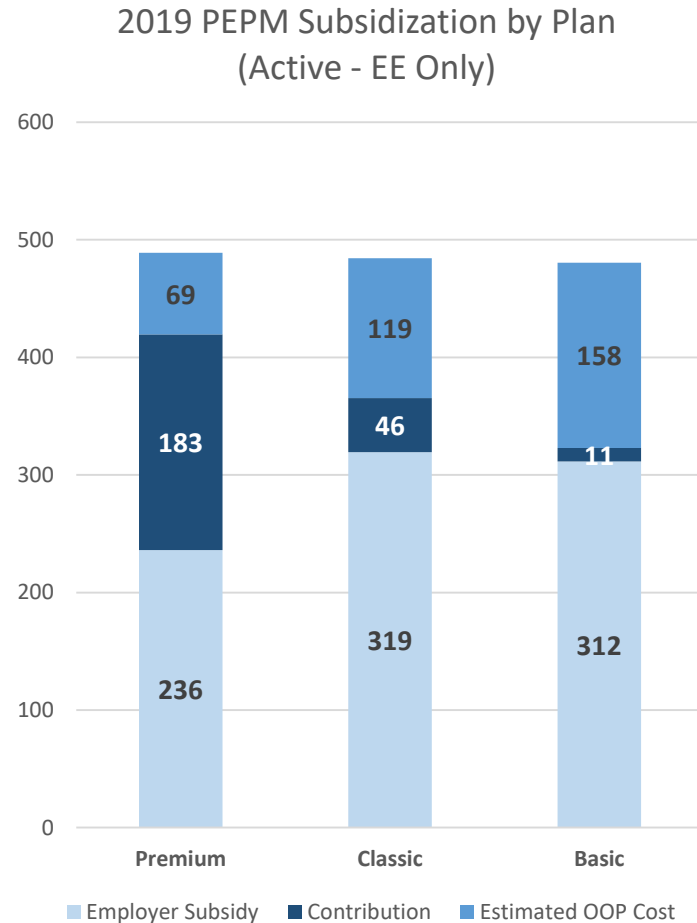
Contribution Scenario	2021 Impact – ASE	Employee Impact Range	Number of employees Impact
Increase Active contributions (1%)	\$549k	\$0.00 - \$5.24	25.6k
Increase Pre-65 contributions (1%)	\$104k	\$1.66 - \$9.53	2.3k
Increase Post-65 contributions (1%)	\$332k	\$1.75 - \$8.49	11.1k
Increase Active EE + SP / EE + Fam (1%)	\$221k	\$1.43 - \$5.24	4.3k
Increase Pre-65 EE + SP / EE + Fam (1%)	\$44k	\$4.49 - \$9.53	0.5k
Increase Post-65 EE + SP / EE + Fam (1%)	\$161k	\$4.20 - \$8.49	3.0k

PSE Cost vs. EE Contribution – By Relationship



Categorization is based on the subscriber's benefit election.

PSE subsidy based on reallocated premium – By Plan Option



Plan Option	Premium (current)	Premium ¹ (reallocated)	Employee Contribution ²	Plan Subsidy ³
Premium Plan				
Employee Only	\$555.99	\$419.50	\$183.46	\$236.04
Employee + Spouse	\$1,328.58	\$935.36	\$831.20	\$104.16
Employee + Child	\$967.92	\$699.86	\$470.54	\$229.32
Family	\$1,555.82	\$1,215.73	\$833.44	\$382.29
Classic Plan				
Employee Only	\$313.40	\$365.43	\$46.02	\$319.41
Employee + Spouse	\$717.00	\$814.79	\$354.62	\$460.17
Employee + Child	\$520.80	\$609.65	\$158.42	\$451.23
Family	\$900.70	\$1,059.03	\$358.32	\$700.71
Basic Plan				
Employee Only	\$251.64	\$322.80	\$11.26	\$311.54
Employee + Spouse	\$535.16	\$719.75	\$272.78	\$446.97
Employee + Child	\$384.24	\$538.54	\$121.86	\$416.68
Family	\$603.00	\$935.50	\$275.62	\$659.88

1. Premiums reallocated based on value of the plan option

2. Contributions based on wellness credit

3. Plan subsidy is based on the reallocated premium

Based on 2019 information – Illustrative purposes only

Contribution Scenario (PSE)

- Employee contributions
 - Increase contributions by employee status (Active / Pre / Post)
 - Increase contribution by tier (EE only, EE + Sp, EE + Ch, EE + Family)
- May consider contribution changes by plan (to reduce migration / selection risk)

Contribution Scenario ¹	2021 Impact – ASE	Employee Impact Range	Number of employees Impact
Increase Active contributions (1%)	\$475k	\$0.11 - \$3.58	32.0k
Increase Pre-65 contributions (1%)	\$106K	\$1.49 - \$7.46	3.3K
Increase Post-65 contributions (1%)	\$210k	\$1.01 - \$15.21	14.7k
Increase Active EE + SP / EE + Fam (1%)	\$255k	\$2.73 - \$3.58	6.1k
Increase Pre-65 EE + SP / EE + Fam (1%)	\$33K	\$2.70 - \$7.46	0.5K
Increase Post-65 EE + SP / EE + Fam (1%)	\$47k	\$2.63 - \$15.21	1.3k

1. Assume Premium Plan remains unchanged for the Active population (e.g. Active scenarios are based on changes to the Basic and Classic Plan.)

Contribution and Deductible/OOP Max Benchmarking

Benefit	ASE – Premium	ASE – Classic	ASE – Basic	Benchmark
Individual/Family Deductible	\$500/\$1,000	\$2,500/\$5,000	\$6,450/\$12,900	\$500/\$1,000
Individual/Family MOOP*	\$3,000/\$6,000	\$6,450/\$12,900	\$6,450/\$12,900	\$3,608/\$6,000
Coinsurance	80%	80%	100%	80%
PCP / Spec Office Visit	\$25/\$50	Ded./Coins.	Ded./Coins.	\$25/\$40
Emergency Room	\$250	Ded./Coins.	Ded./Coins.	\$150
Benefit	PSE – Premium	PSE – Classic	PSE – Basic	Benchmark
Individual/Family Deductible	\$750/\$1,500	\$1,750/\$2,850	\$4,000/\$8,000	\$500/\$1,000
Individual/Family MOOP*	\$3,250/\$6,500	\$6,450/\$9,675	\$6,450/\$12,900	\$3,608/\$6,000
Coinsurance	80%	80%	80%	80%
PCP / Spec Office Visit	\$25/\$50	Ded./Coins.	Ded./Coins.	\$25/\$40
Emergency Room	\$250	Ded./Coins.	Ded./Coins.	\$150

* MOOP is based on the medical out-of-pocket. The Premium plan has a separate pharmacy MOOP.

Plan Design Impact (ASE)

- Plan Design
 - 85% of employees currently in the Premium Plan
 - Two key levers for plan design are deductible and maximum out-of-pocket (MOOP)
- Scenarios assume changes to the active and pre-65 retiree plan options

Plan Design Scenario ^{1,2}	2021 Estimated Savings	Impact on Deficit
Deductible: increase \$250 all plans MOOP: no change	\$2.1M	5.6%
Deductible: increase \$500 all plans MOOP: increase \$250 all plans	\$4.8M	13.1%
Deductible: increase \$500 all plans MOOP: increase \$500 all plans	\$5.6M	15.4%

1. Maximum out of pocket increase for the Basic plan to be at the same level of the deductible

2. Plan designs must maintain minimum value and stay compliant as a qualified high deductible health plan

Plan Design Impact (PSE)

- Plan Design
 - Active and Pre-65 retirees enrollment distribution:
 - Premium / Classic / Basic Plan (28% / 63% / 9%)
 - Two key levers for plan design are deductible and maximum out-of-pocket (MOOP)
- Scenarios assume changes to the active and pre-65 retiree plan options

Plan Design Scenario ¹	2021 Estimated Savings	Impact on Deficit
Deductible: increase \$250 all plans MOOP: no change	\$4.5M	7.1%
Deductible: increase \$500 all plans MOOP: increase \$250 all plans	\$9.7M	15.2%
Deductible: increase \$500 all plans MOOP: increase \$500 all plans	\$10.7M	16.9%

1. Plan designs must maintain minimum value and stay compliant as a qualified high deductible health plan

Summary of Initiatives (ASE)

- Current Deficit for 2021 - \$36.5M (\$51M without allocated assets)

Initiative	Decision	Savings	Deficit
Starting Deficit			- \$51.0 M
Program Initiatives	Current	\$7.5M	- \$43.5M
Increase State Funding ¹	\$5 PEPM	\$2M	- \$41.5M
Employee Contributions ²	5% incr.	\$4.9M	- \$36.6M
Plan Design Changes ³	Scenario 3	\$5.6M	- \$31.0M
Remaining Deficit			- \$31.0 M
Allocated Assets		\$14.5M	- \$16.5M
Total Remaining Deficit			- \$16.5M

1. Increase in stated funding per budgeted position

2. Must maintain affordability

3. Must maintain minimal essential coverage

Summary of Initiatives (PSE)

- Current Deficit for 2021 - \$63.5M (\$79M without allocated assets)

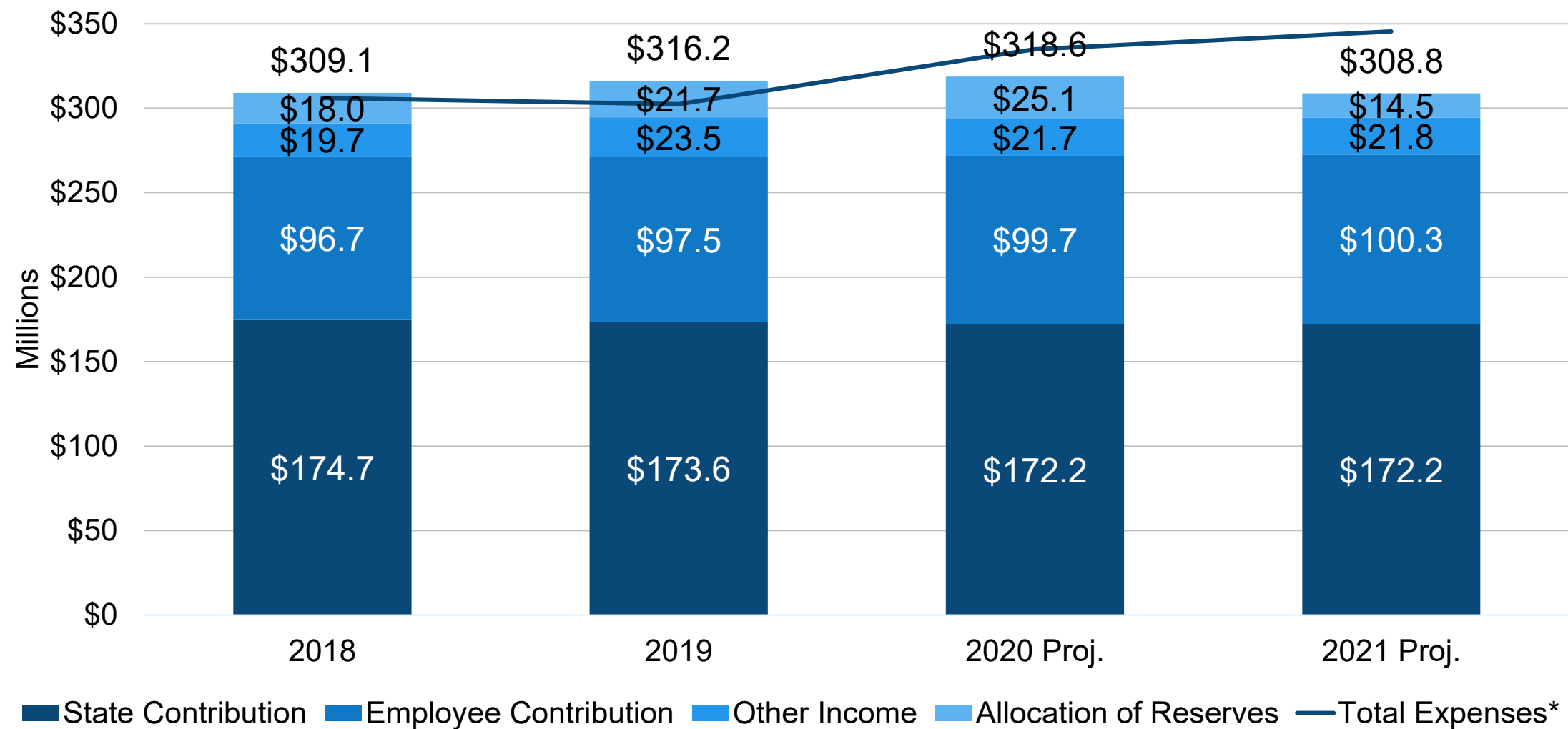
Initiative	Decision	Savings	Deficit
Starting Deficit			- \$79.0 M
Program Initiatives	Current	\$5.5M	- \$73.5M
Increase District Funding	\$10 PEPM	\$3.3M	- \$70.2M
Employee Contributions ¹	5% incr.	\$4.0M	- \$66.2M
Plan Design Changes ²	Scenario 3	\$10.7M	- \$55.5M
Remaining Deficit			- \$55.5M
Allocated Assets		\$15.5M	- \$40.0M
Total Remaining Deficit			- \$40.0M

1. Must maintain affordability

2. Must maintain minimal essential coverage

Appendix

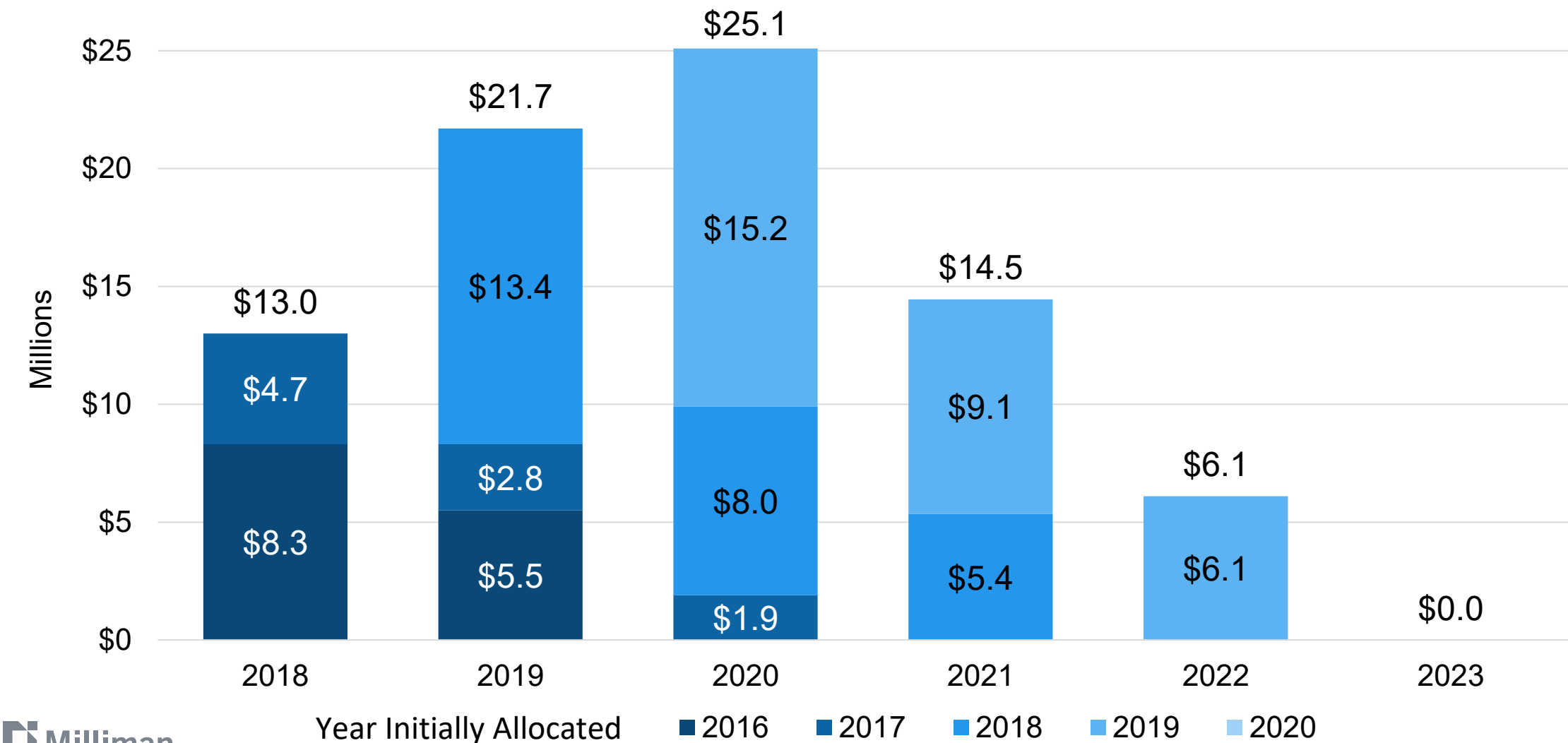
ASE - Income vs. Expenditure



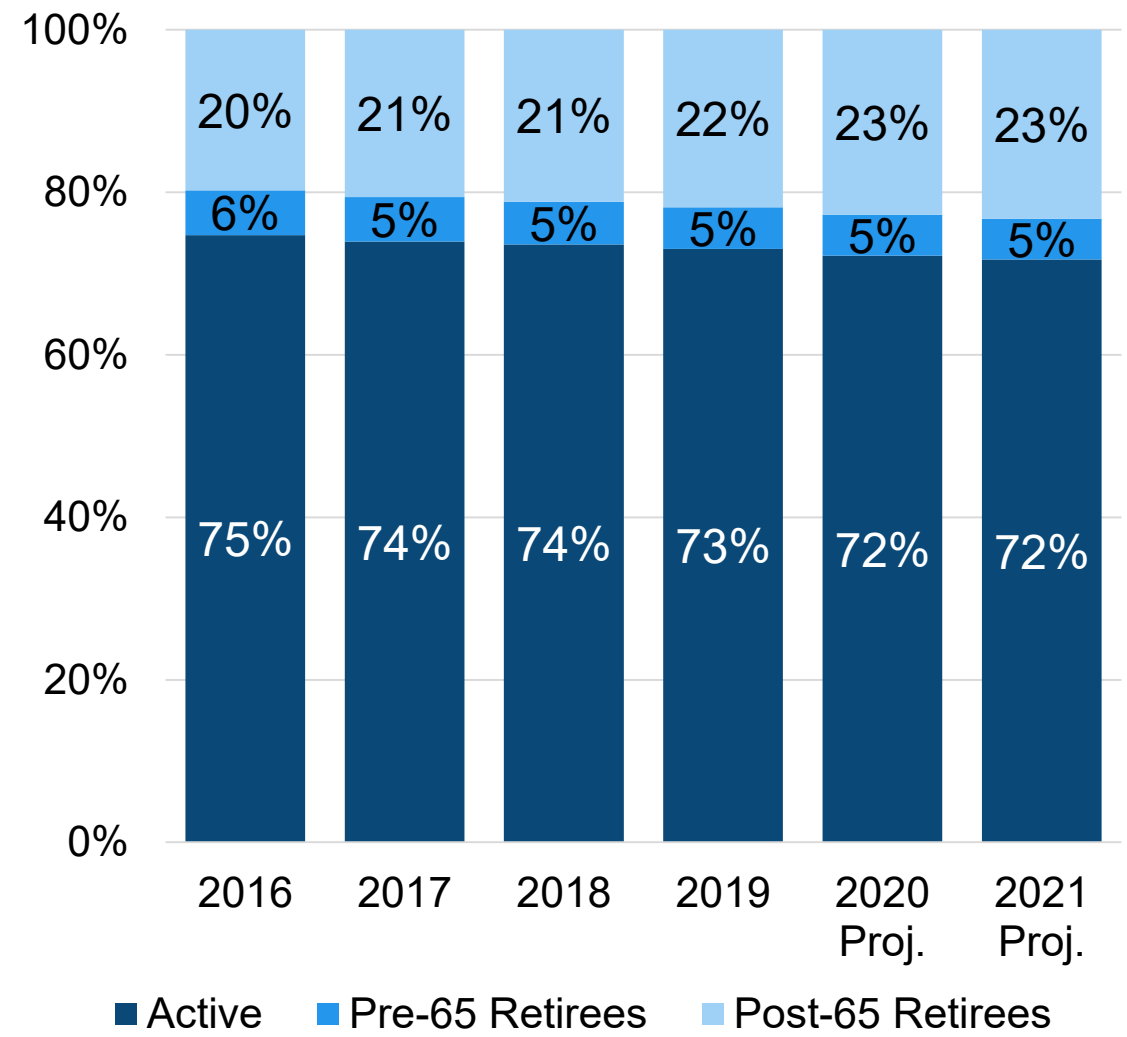
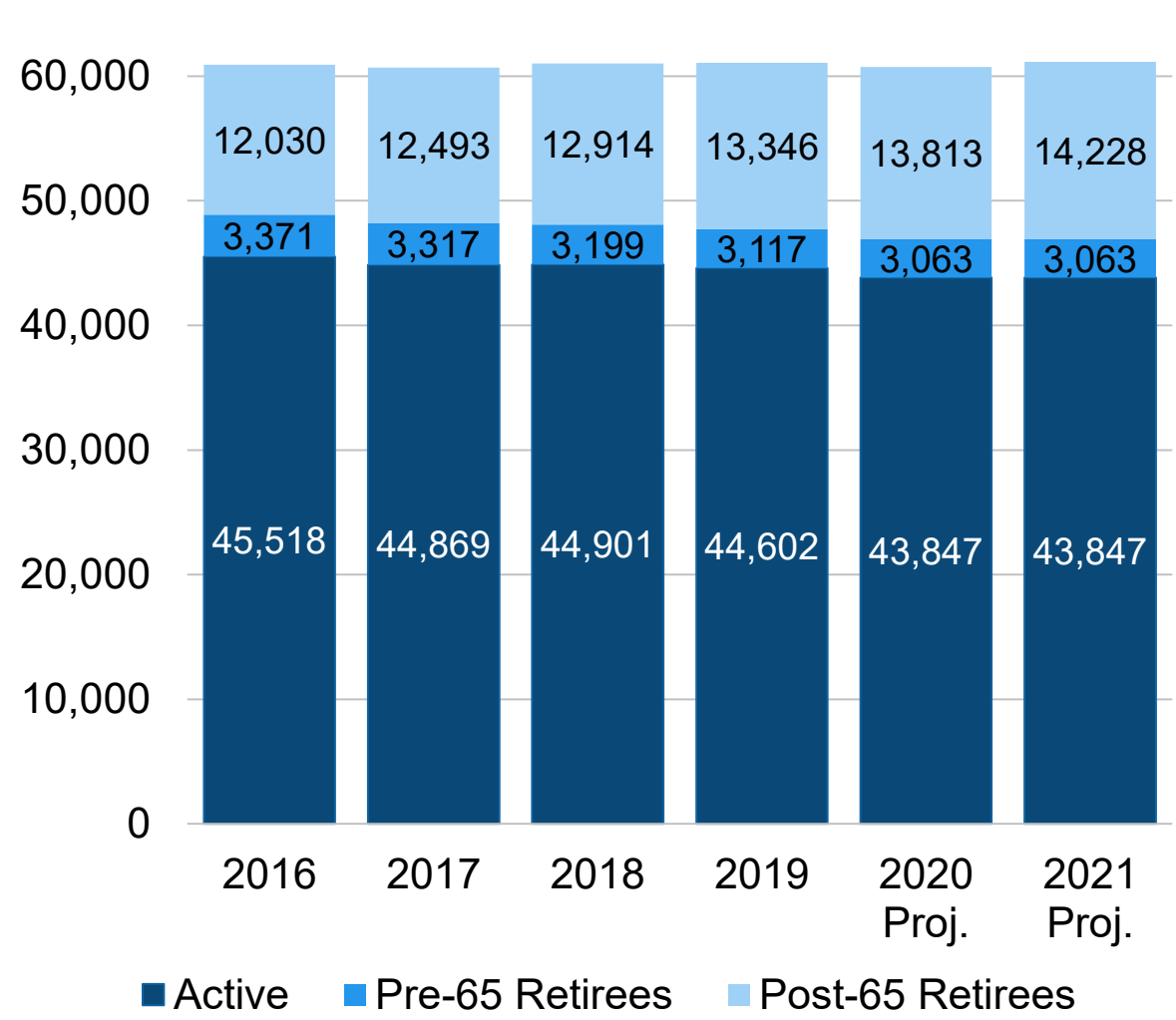
* Total Expenses offset by Program Savings

ASE - Reserves Allocation by Year

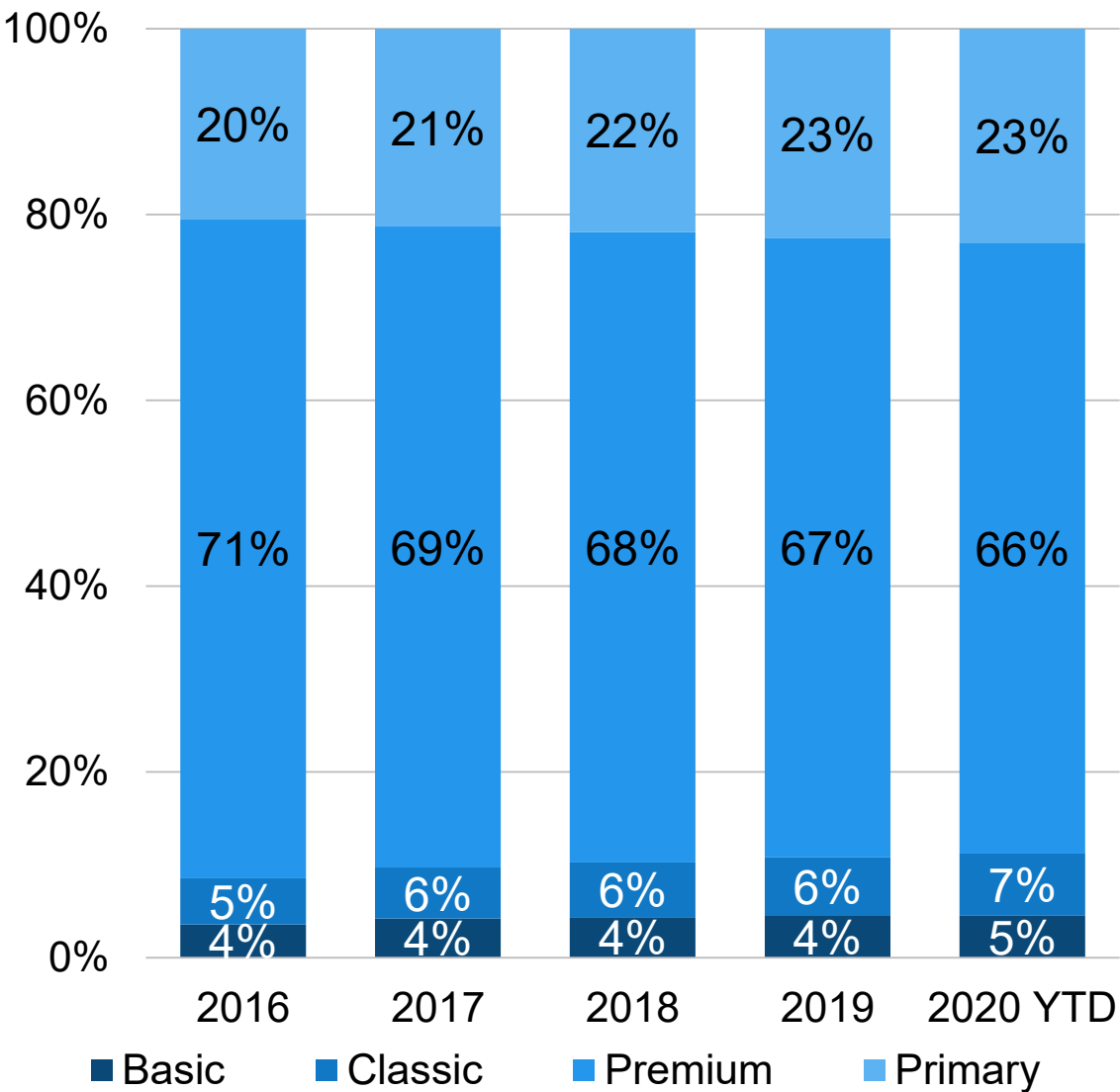
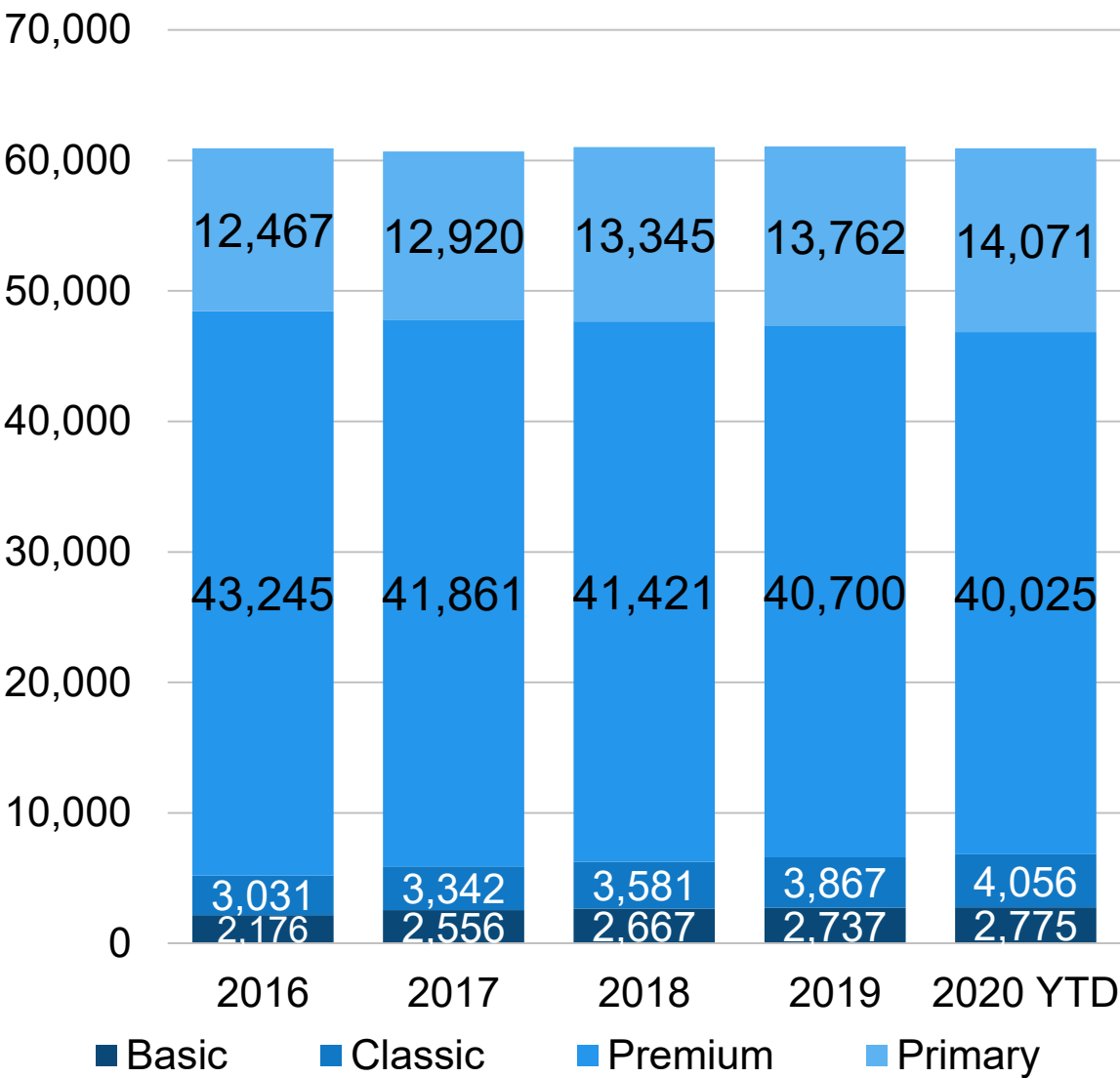
The chart represents the reserves amounts allocated each year (in millions), and how much reserves are available each year.



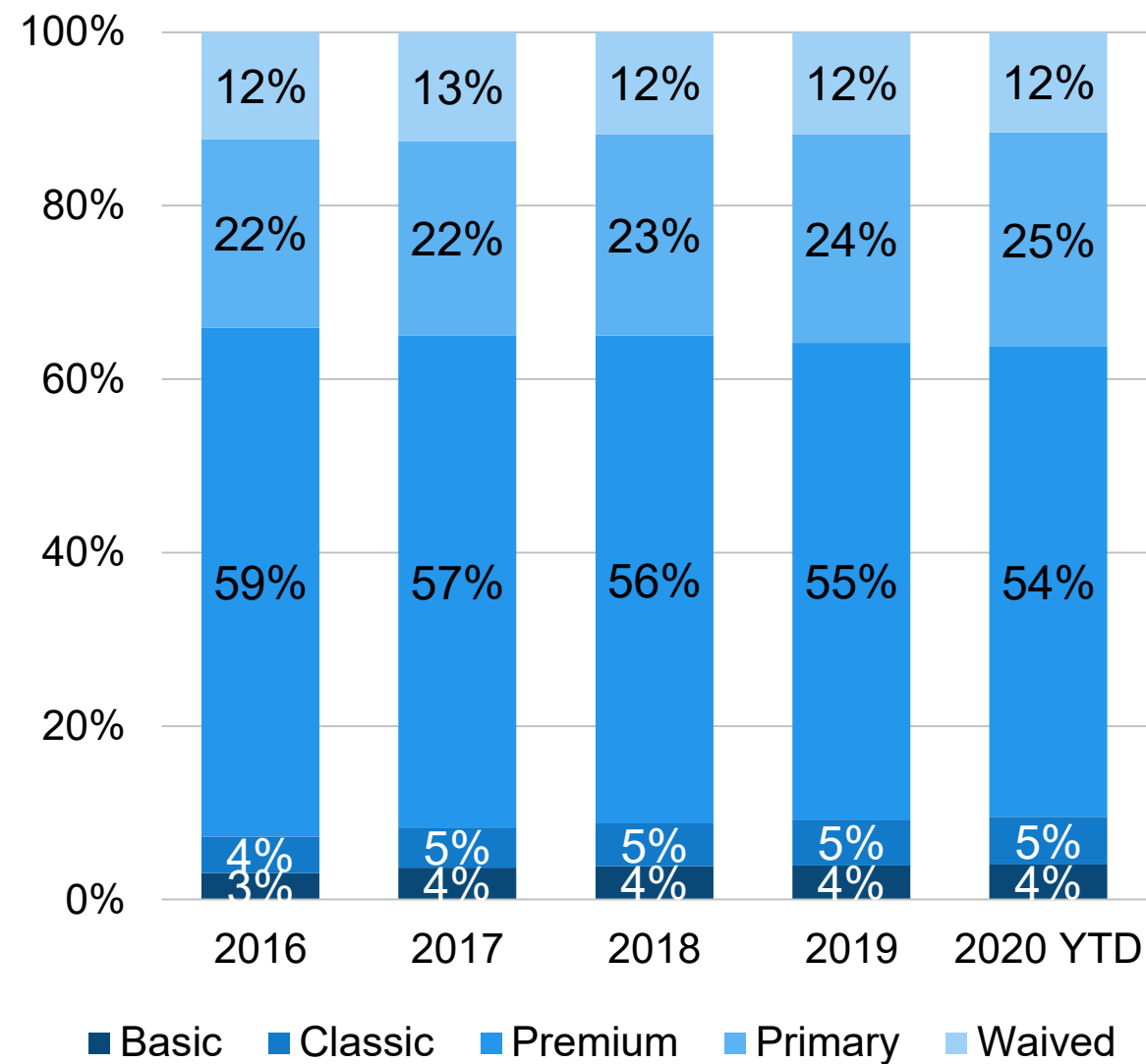
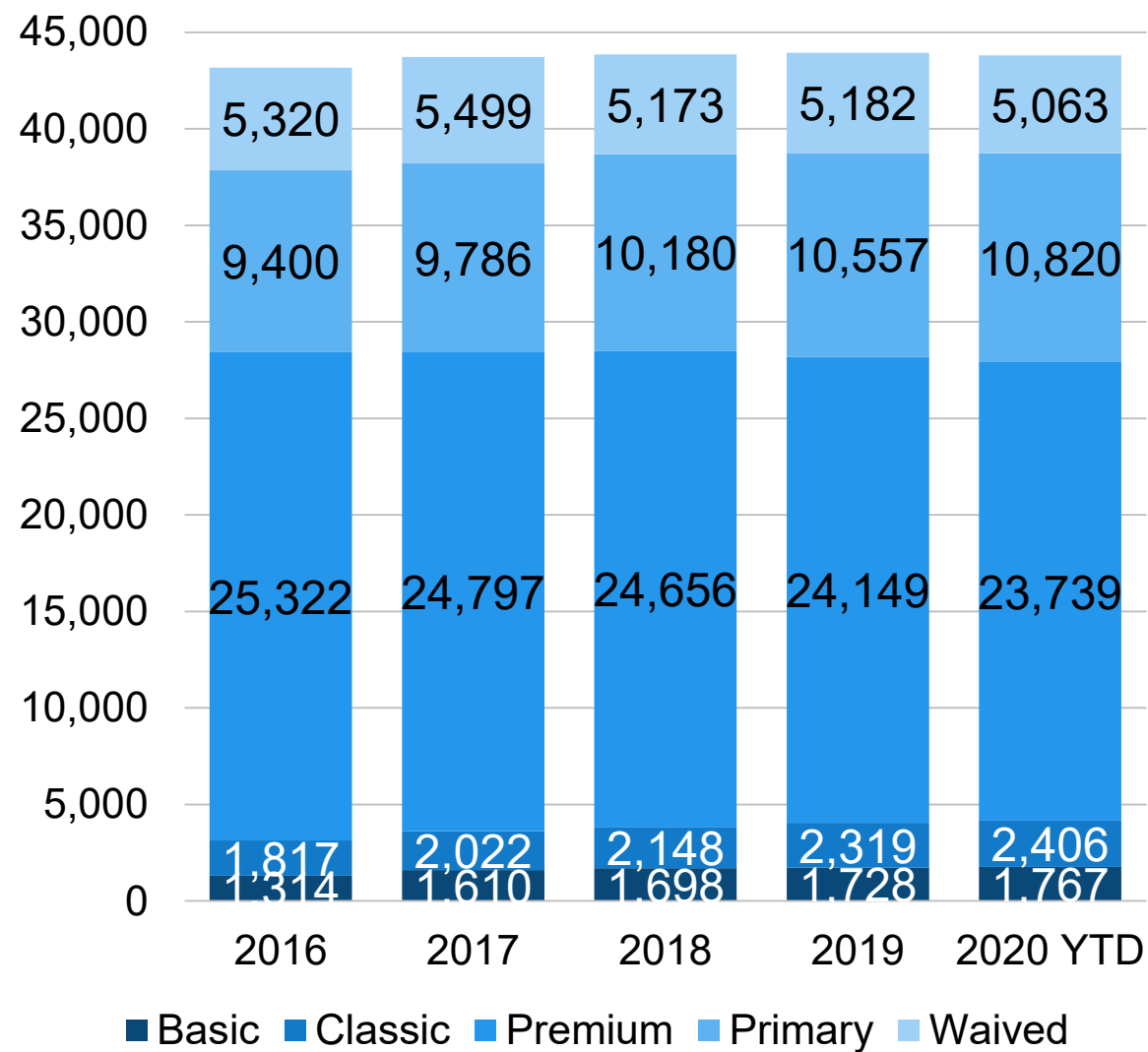
ASE - Average Membership by Status



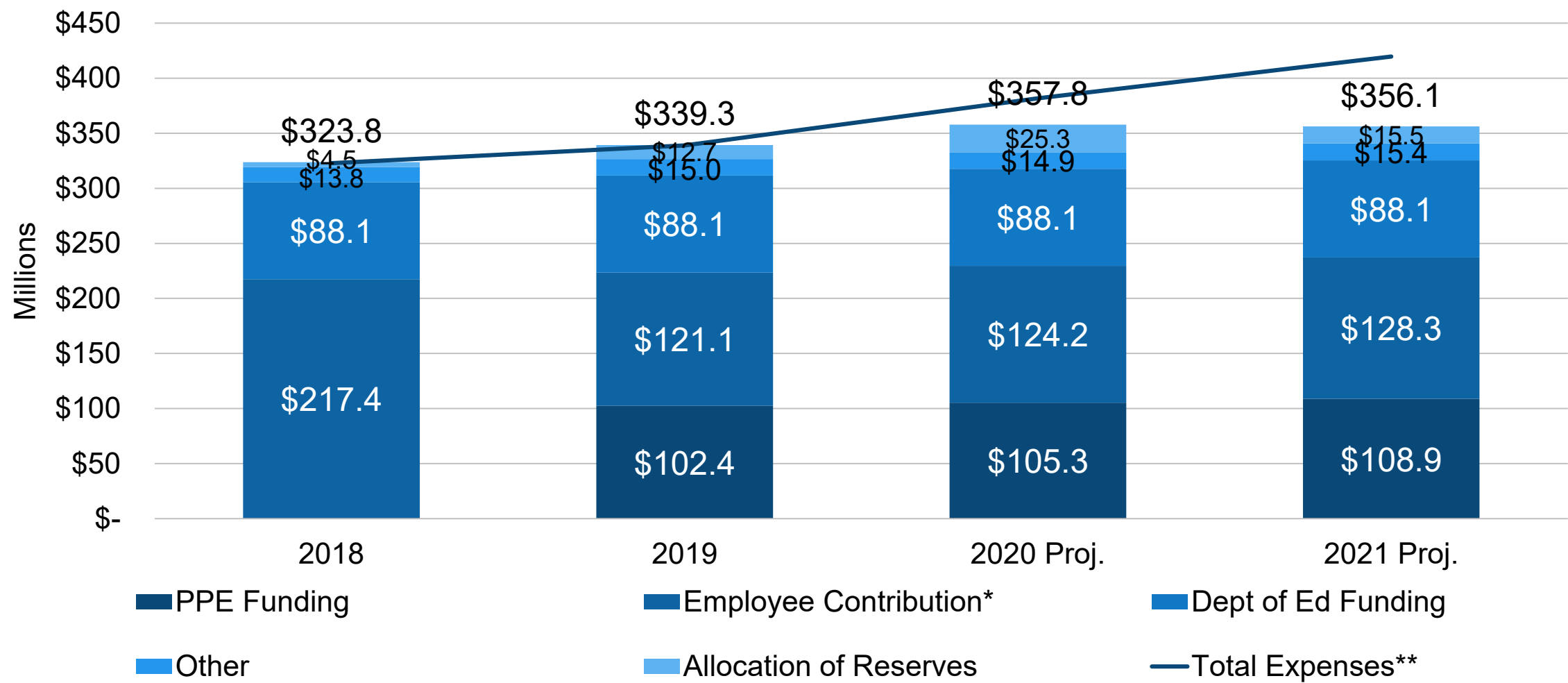
ASE - Average Membership by Plan



ASE - Average Enrollment (Subscribers) by Plan



PSE - Income vs. Expenditure

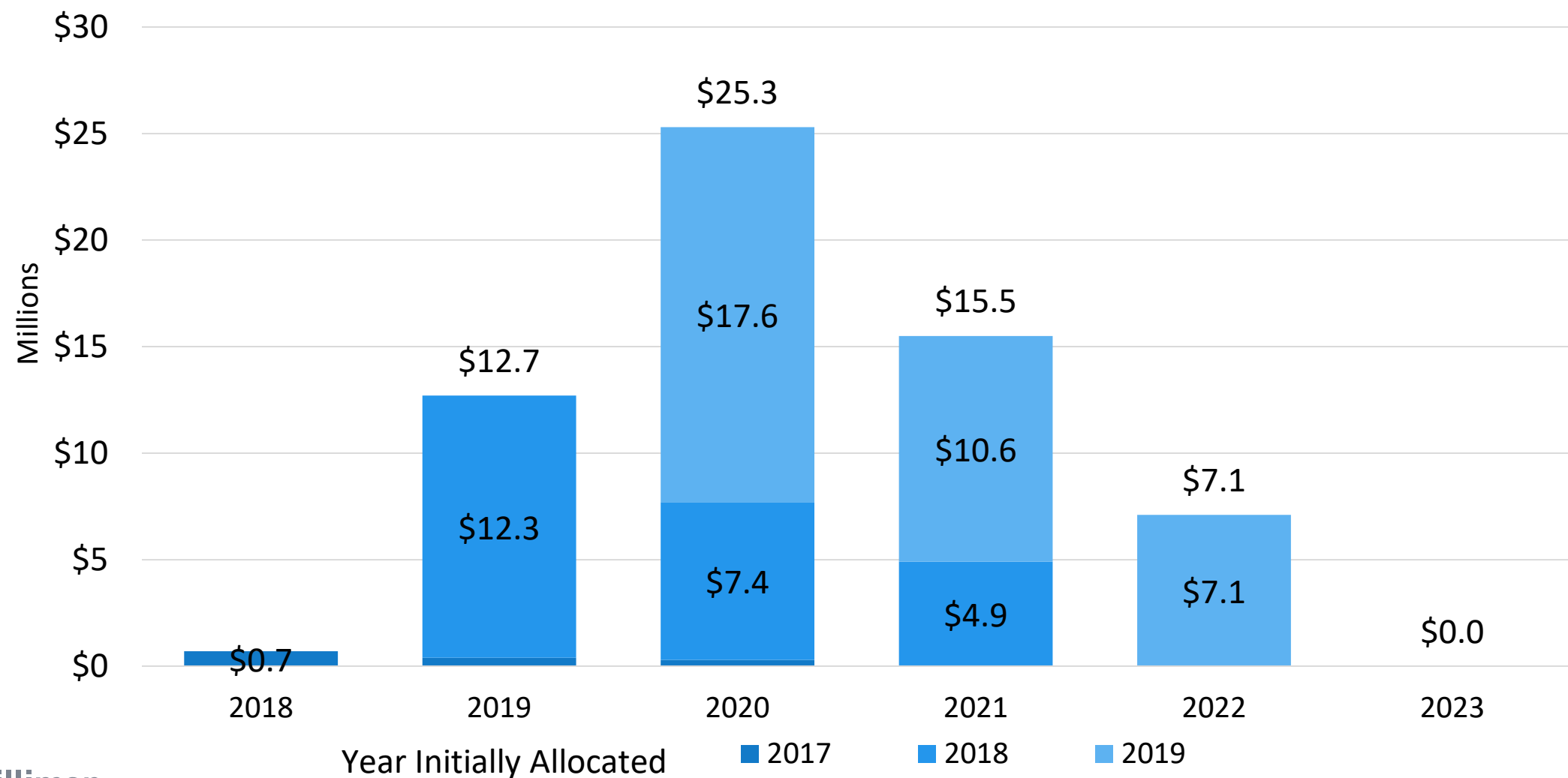


* 2018 Employee Contribution includes PPE Funding

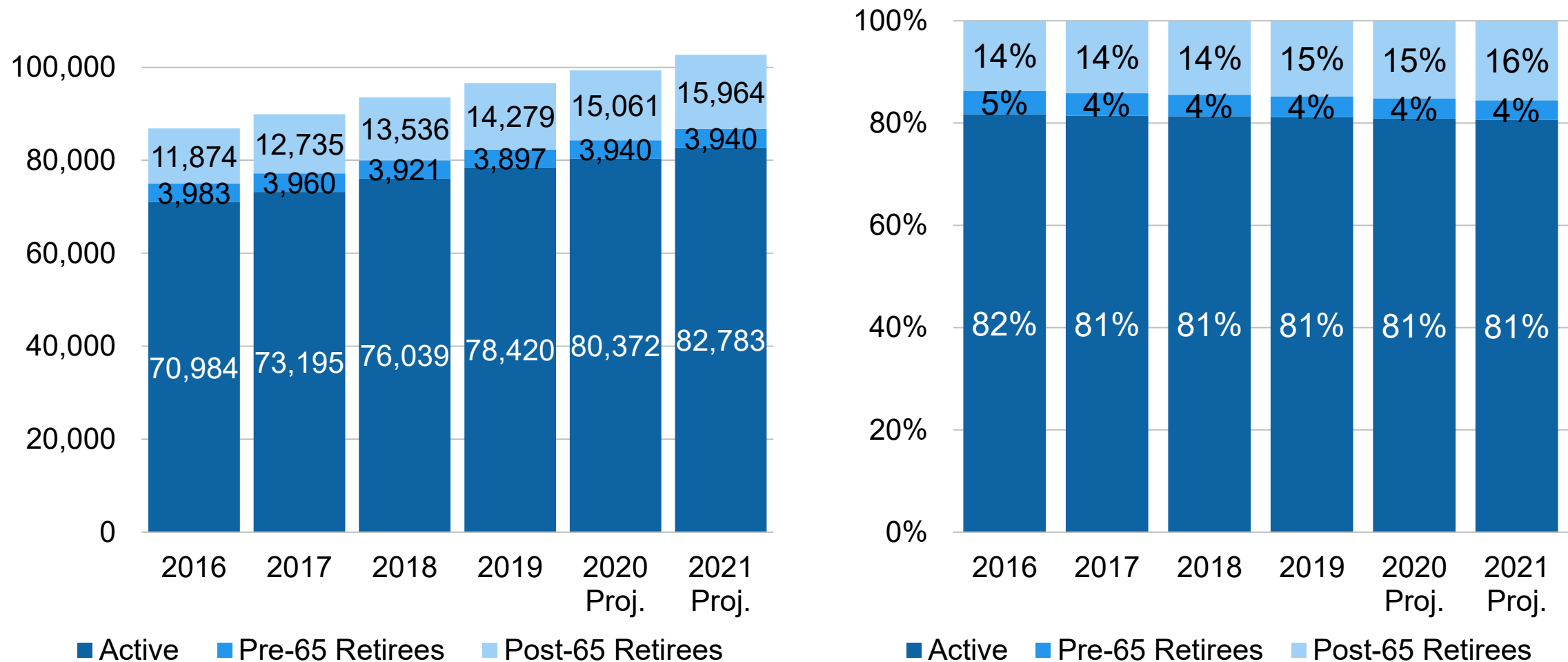
** Total Expenses offset by Program Savings

PSE - Reserves Allocation by Year

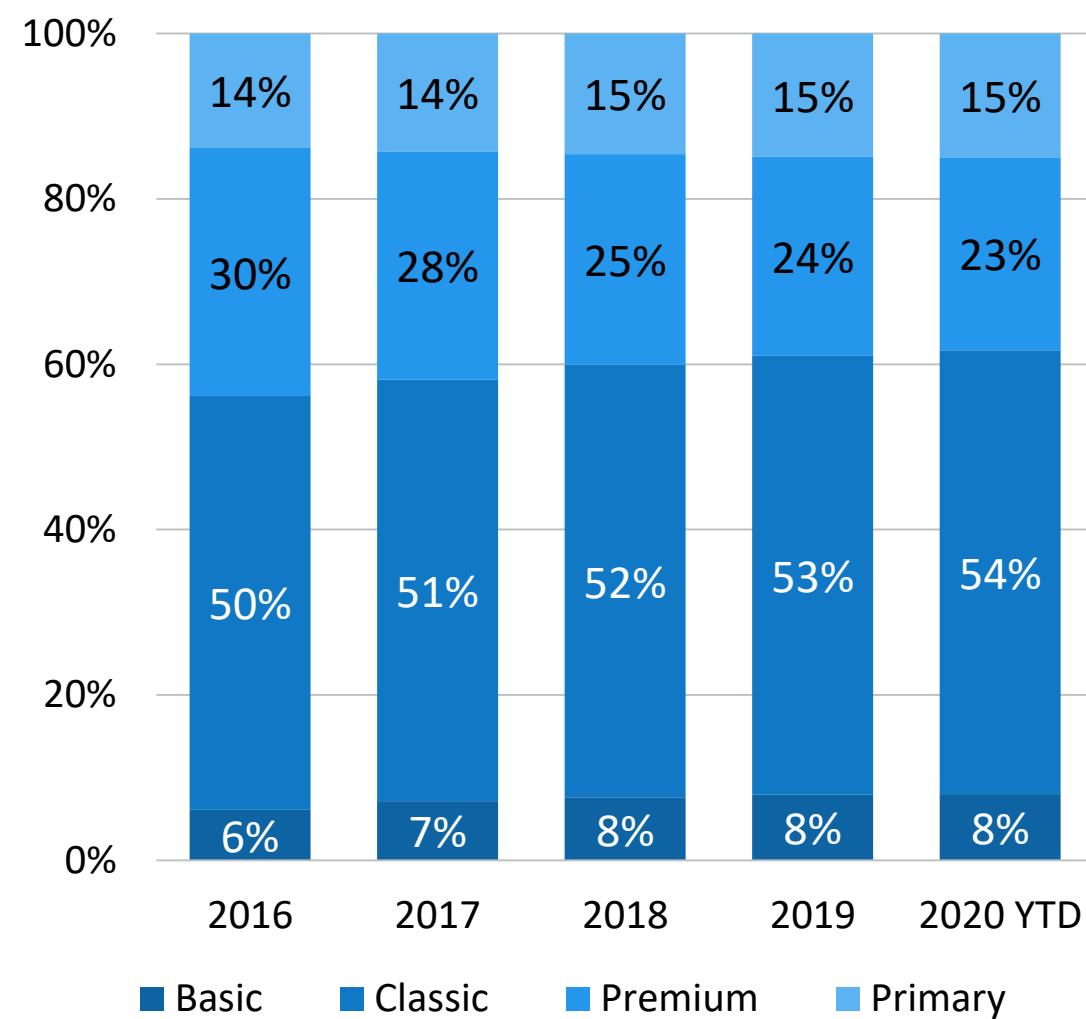
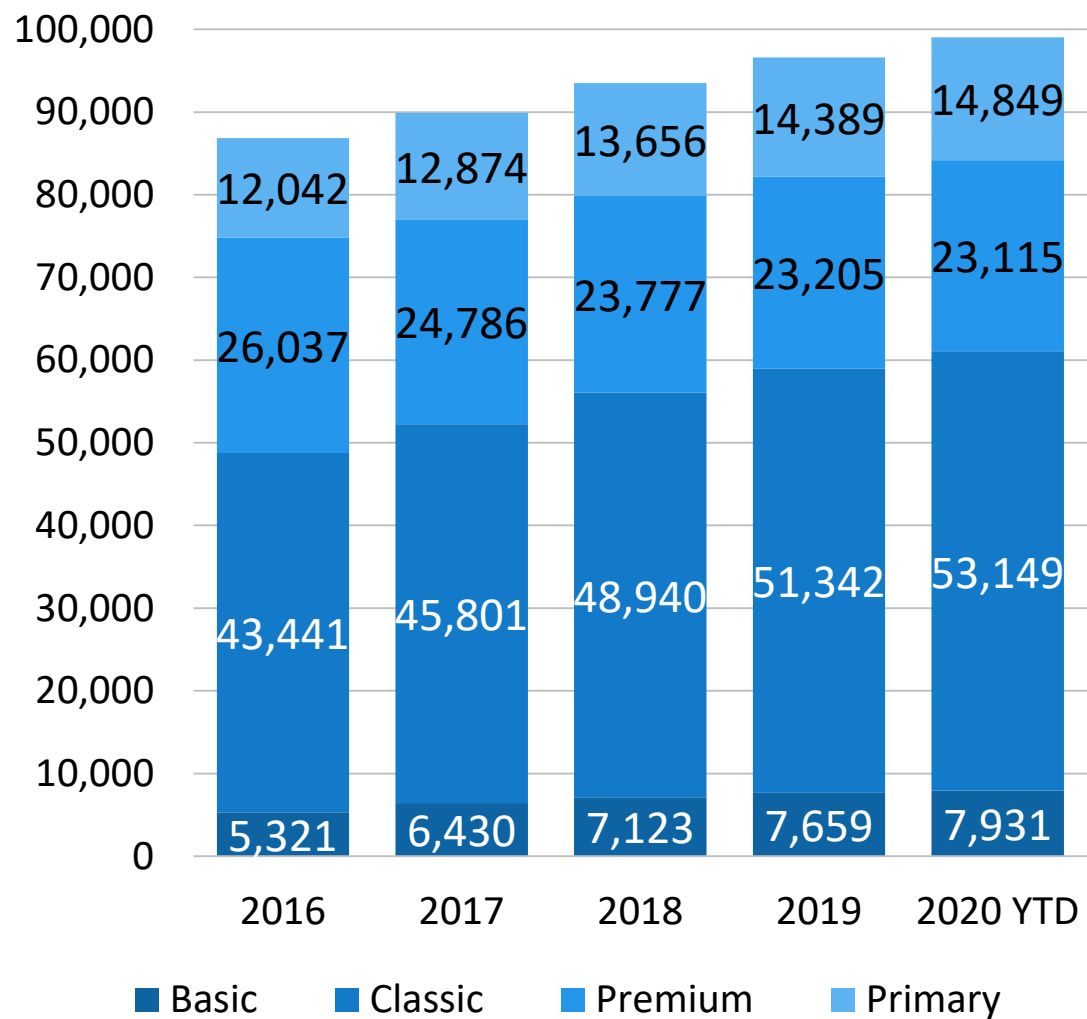
The chart represents the reserves amounts allocated each year (in millions), and how much reserves are available each year.



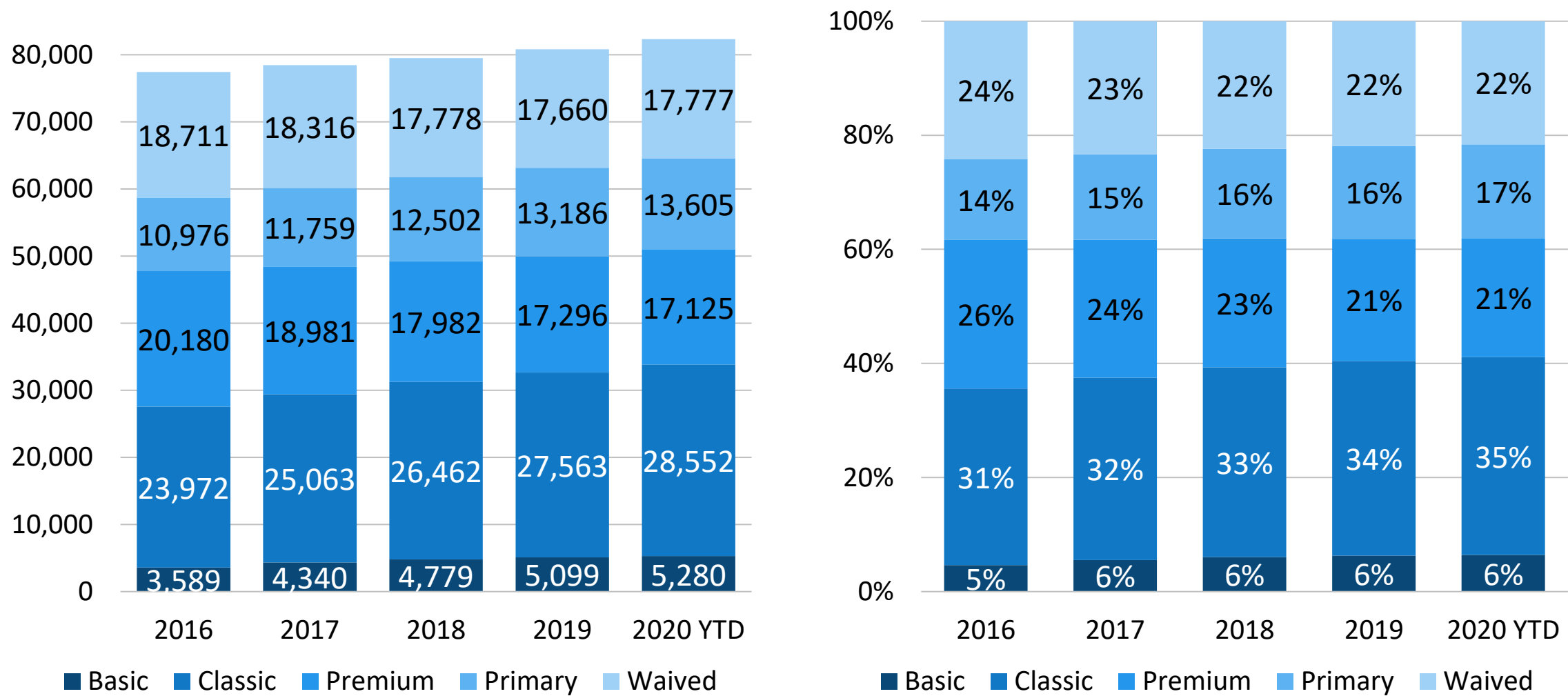
PSE - Average Membership by Status



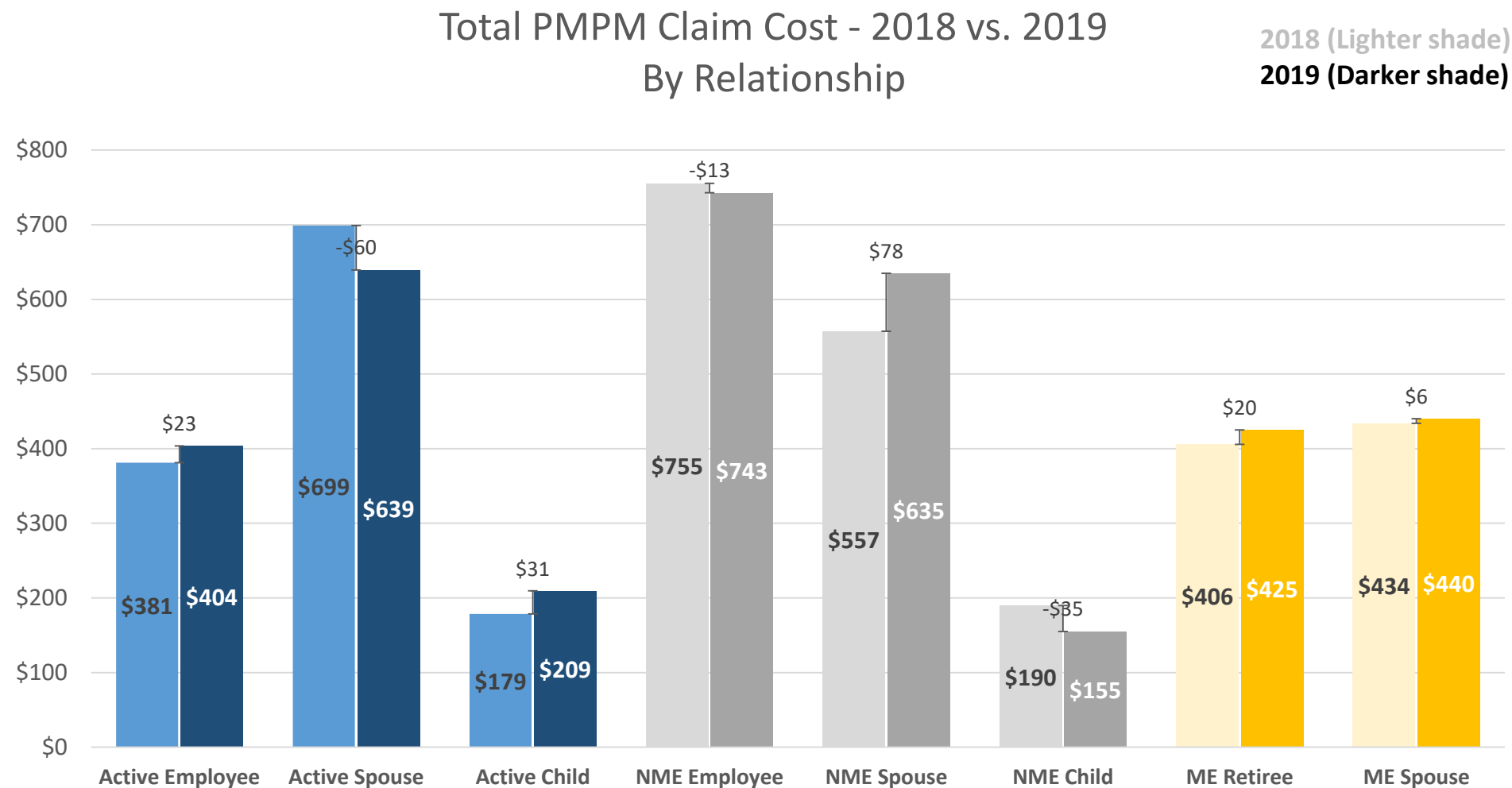
PSE - Average Membership by Plan



PSE - Average Enrollment (Subscribers) by Plan

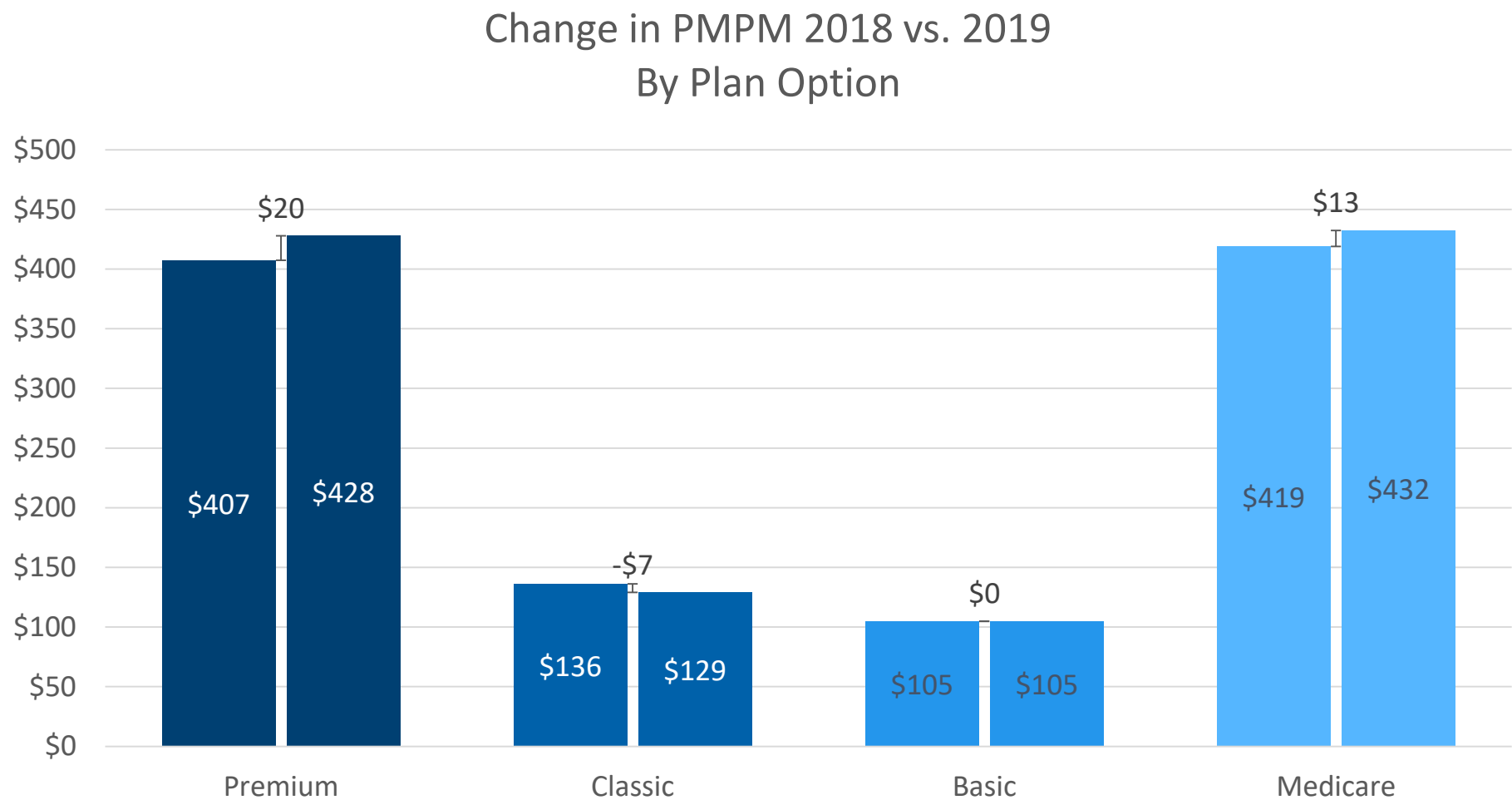


ASE Plan Performance – YoY (By Relationship)



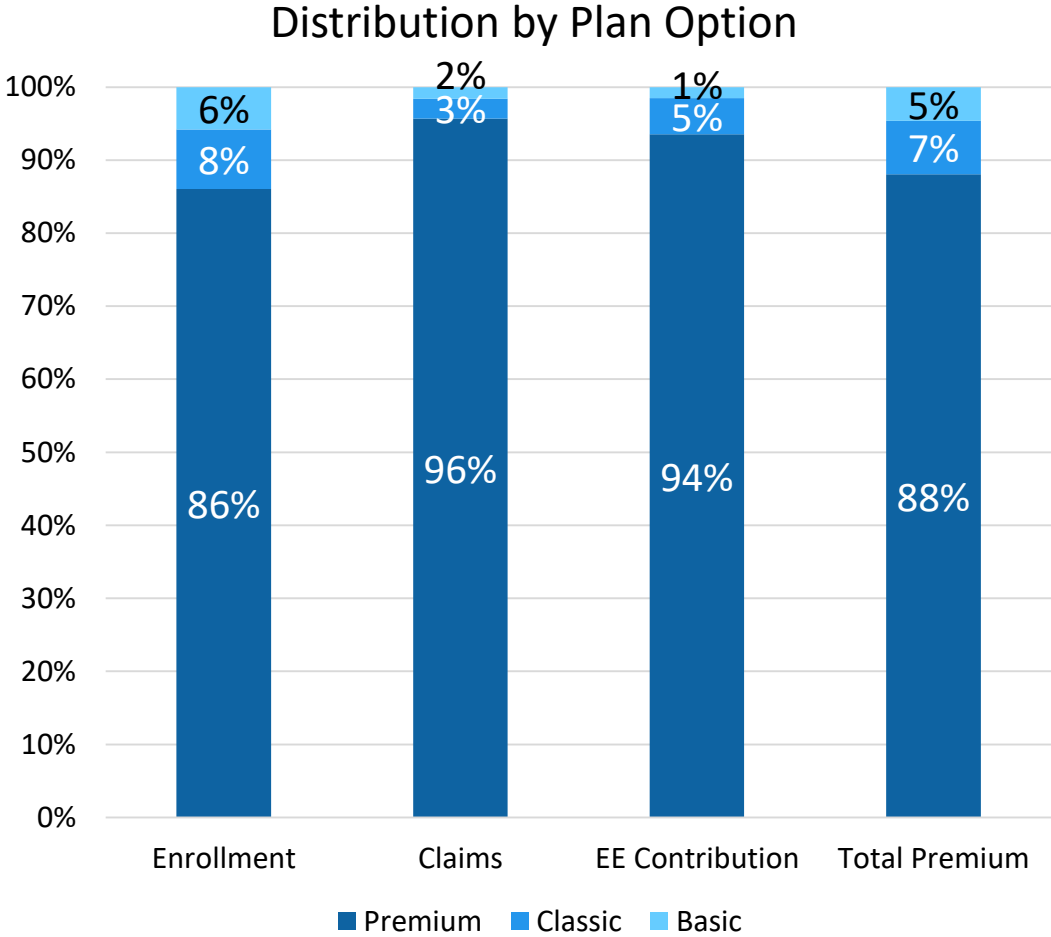
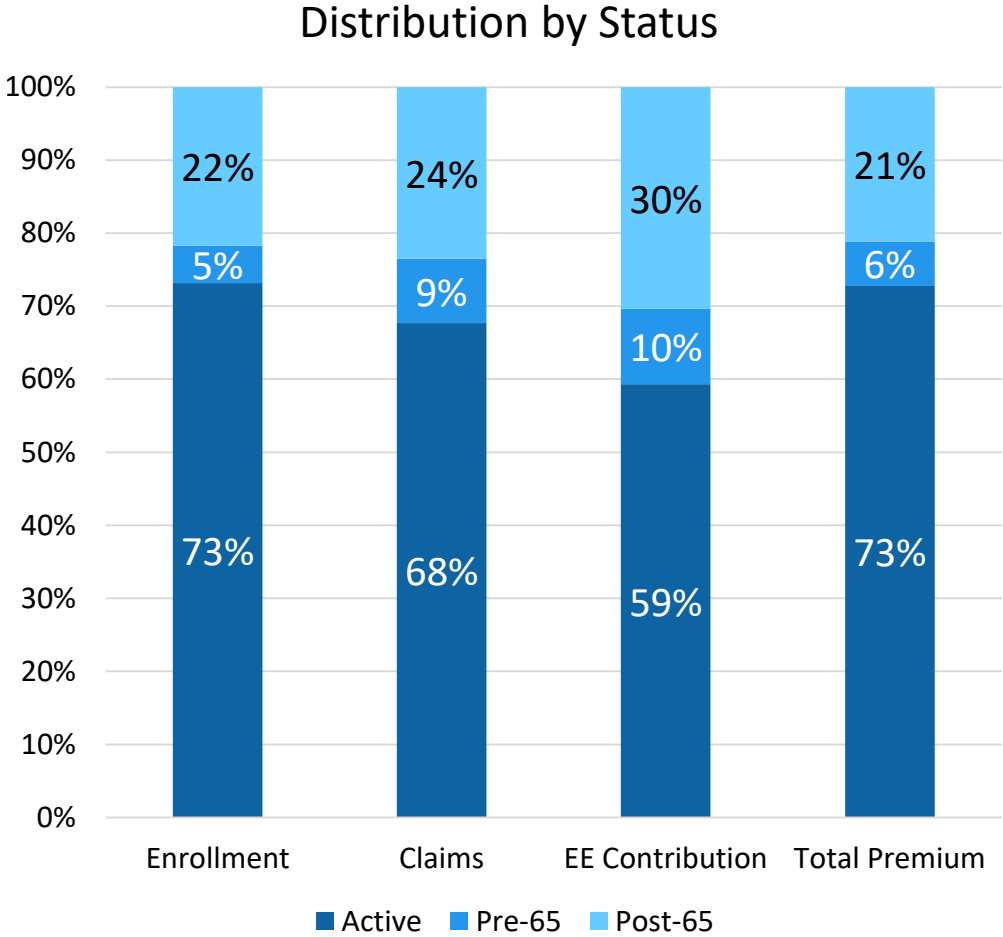
Categorization is based on the subscriber's benefit election.

ASE Plan Performance – YoY (By Plan Option)



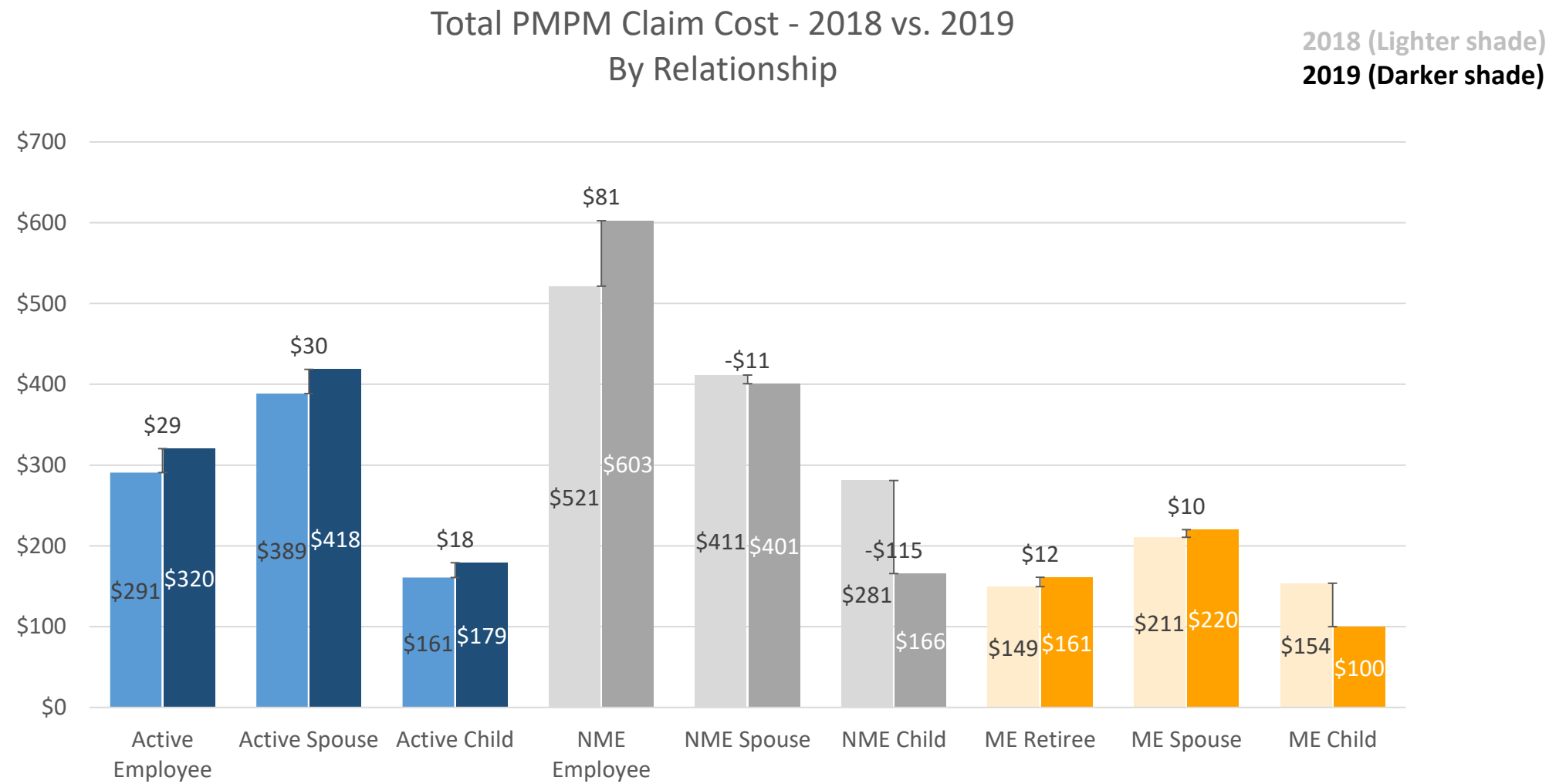
Categorization is based on the subscriber's benefit election.

ASE Breakdown – Employment Status and Plan Option



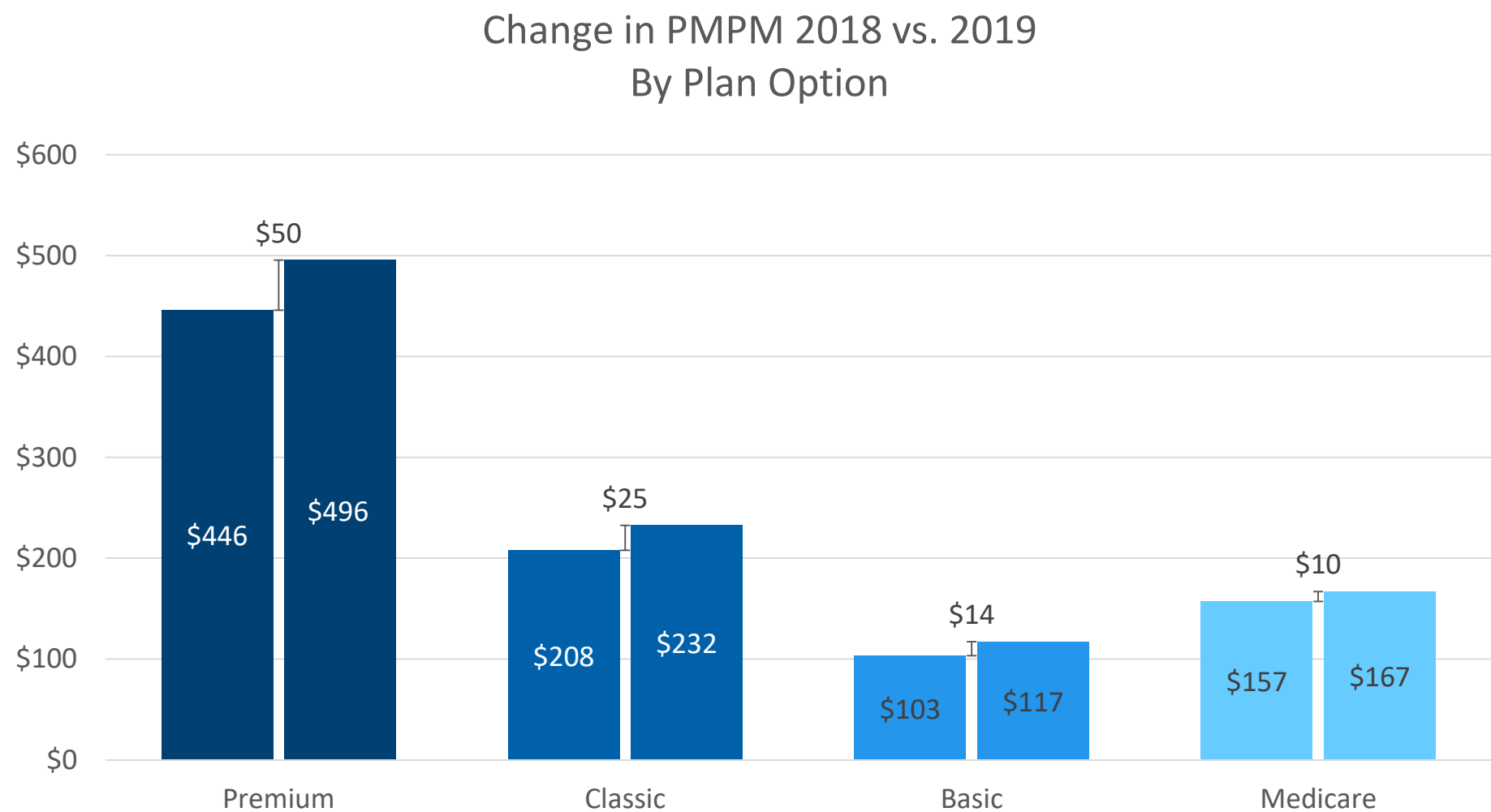
Enrollment based on membership.
Based on 2019 information
Categorization is based on the subscriber's benefit election.

PSE Plan Performance – YoY (By Relationship)



Categorization is based on the subscriber's benefit election.

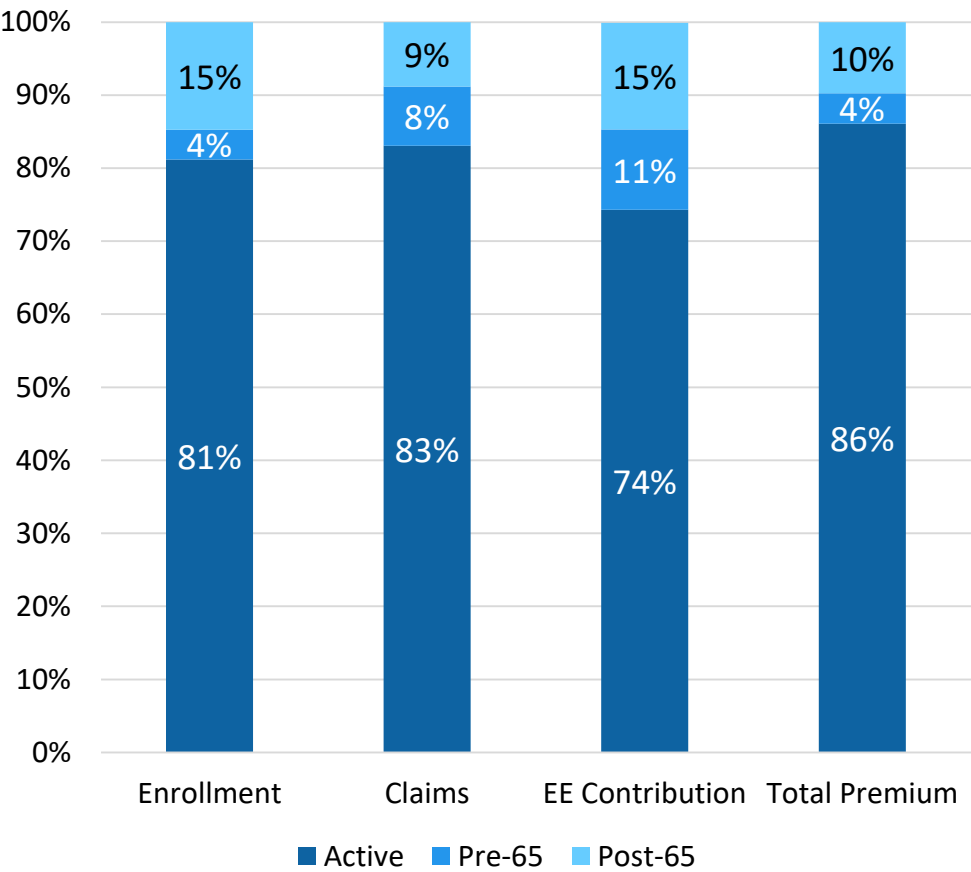
PSE Plan Performance – YoY (By Plan Option)



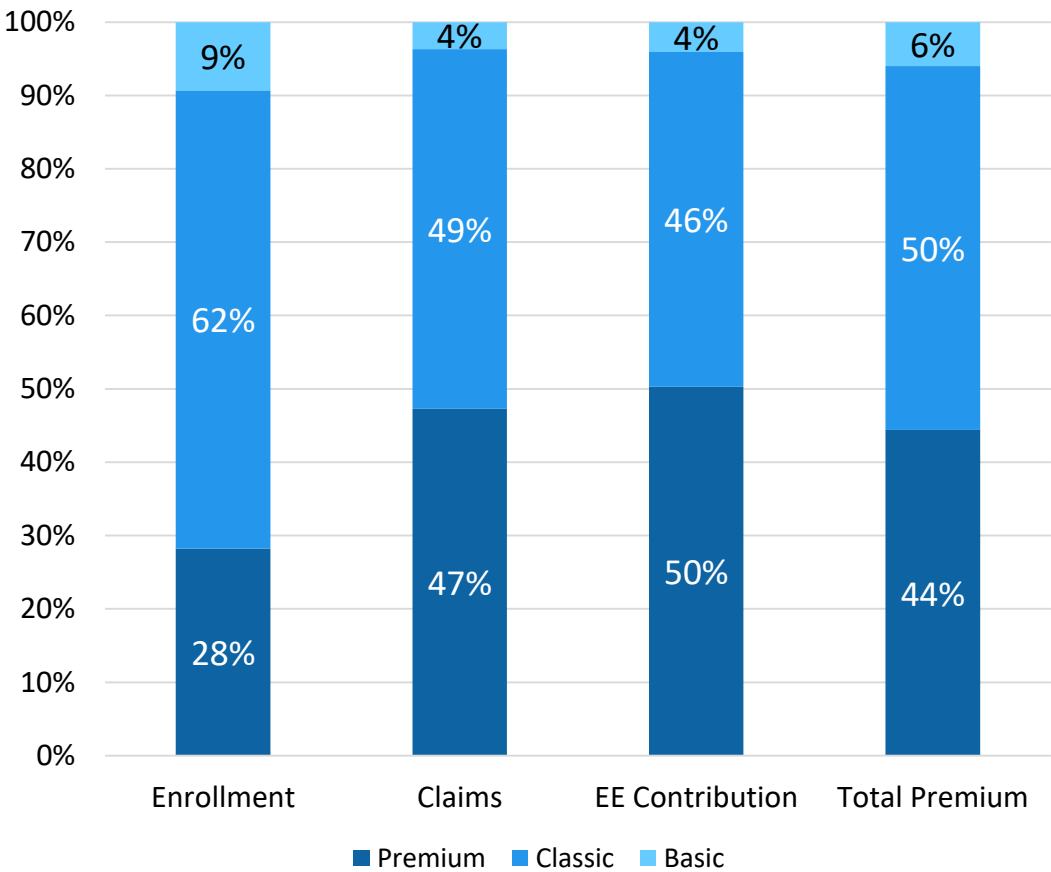
Categorization is based on the subscriber's benefit election.

PSE Breakdown – Employment Status and Plan Option

Distribution by Status



Distribution by Plan Option



Enrollment based on membership.
Based on 2019 information
Categorization is based on the subscriber's benefit election.

Assumptions & Methodology

Assumptions - Trend

Division	Group	Medical Trend	Pharmacy Trend
ASE	Active/Pre-65 Retirees	5.0%	8.0%
	Post-65 Retirees	5.0%	8.0%
PSE	Active/Pre-65 Retirees	7.0%	8.0%
	Post-65 Retirees	7.0%	8.0%

Assumptions & Methodology

Assumptions – Benefit Plan Changes (2019 to 2021)

- ASE
 - No significant plan cost changes for Active, Pre-65, and Post-65 benefit plans
- PSE
 - No significant plan cost changes for Active, Pre-65, and Post-65 benefit plans

Assumptions & Methodology

Assumptions – Other

- Age/Gender
 - Age/Gender factor based on Milliman Health Cost Guidelines™
- Enrollment Projections
 - Actual enrollment utilized for February 2019 through March 2020
 - Projected April – December 2020 based on historical patterns
- Program Savings
 - Projected program of \$1.25 million per month for 2020, allocated between ASE / PSE based on pharmacy claims expense.
- Plan Administration Expense
 - ASE - \$3.85 PMPM for CY2020 (\$3.96 PMPM for CY2021)
 - PSE - \$2.14 PMPM for CY2020 & CY2021
- Plan Administration Fees include PCORI charges for 2020 and 2021

Assumptions & Methodology

Methodology

1. Summarized fee-for-service (FFS) medical and pharmacy claims incurred from March 1, 2019 to February 29, 2020 and paid from March 1, 2019 to April 30, 2020. Medical claims are gross of withholds. Reports reflects the timing of when EBD is expected to pay the withhold.
2. Converted the paid and incurred claims to incurred claims using completion factors. This incorporates the incurred but not reported (IBNR) claim reserve.
3. Summarized member months for March 1, 2019 to February 29, 2020.
4. Divided the summarized incurred claims by the appropriate member months to calculate PMPMs.
5. 2020 Projected the incurred claims PMPM from the midpoint of the experience period (September 1, 2019) to the midpoint of the contract period (July 1, 2020).
6. 2021 Projected the incurred claims PMPM from the midpoint of the experience period (September 1, 2019) to the midpoint of the contract period (July 1, 2021).
7. Made adjustments for seasonality, benefit changes, and age/gender mix.
8. Accounted for rating period fees and administrative expenses.
9. Where applicable, converted incurred budget to paid budget based on historical payment patterns.

Limitations

Courtney White and Paul Sakhrani are Members of the American Academy of Actuaries and a Fellow of the Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render opinion contained herein. To the best of our knowledge and belief, this analysis is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

The assumptions used in the development of the 2020 and 2021 budget are based on historical ASE and PSE claims, funding, and plan administration, historical ASE and PSE members by benefit plan, age/gender, and by month, 2019 and 2020 ASE and PSE benefit plan summaries, 2020 fees and administrative expenses, conversations with EBD regarding the program, and actuarial judgment.

While we reviewed the ABCBS and EBD information for reasonableness, we have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Expected outcomes are sensitive to the underlying assumptions used. Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Any reader of this report should possess a certain level of expertise in areas relevant to this analysis to appreciate the significance of the assumptions and the impact of these assumptions on the illustrated results. The reader should be advised by their own actuaries or other qualified professionals competent in the subject matter of this report, so as to properly interpret the material.

This presentation has been prepared for the sole use of the management of the State of Arkansas Employee Benefits Division for setting the ASE and PSE budget for CY2020 and CY2021. It may not be appropriate for other purposes. Milliman does not intend to benefit any third party from this analysis.



Thank you

Courtney White, FSA, MAAA
Paul Sakhrani, FSA, MAAA