AGENDA

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

September 18th, 2020
10:00 a.m.

EBD Board Room – 501 Building, Suite 500

I. Call to Order..... Susan Gardner, Chair

II. Approval of July Minutes..... Susan Gardner, Chair

III. COVID Update.....Elizabeth Montgomery & Mike Motley, ACHI

IV. Trend Experience .....Paul Sakhrani & Courtney White, Milliman

V. Director's Report.....Chris Howlett, EBD Director

VI. Adjournment..... Susan Gardner, Chair

2020 Upcoming Meetings:

October 16th, November 13th, December 11th

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 September 18, 2020, at 10:00 a.m. via teleconference

Date | *time* 9/18/2020 10:00 AM | *Meeting called to order by* Ronnie Kissire, Vice-Chair

In Attendance

Members Present

Claudia Moran
Stephanie Lilly-Palmer
Ronnie Kissire – Vice-chair
Cindy Allen
Herb Scott
Chris Howlett, Employee Benefits Division (EBD) Director

Members Absent

Susan Gardner – Chair

Others Present

Rhoda Classen, Mary Massirer, Shalada Toles, Stella Greene, EBD; Elizabeth Montgomery, ACHI; Micah Bard, Octawia DeYoung, EBRx UAMS; Jessica Akins, Takisha Sanders, HA; Paul Sakhrani, Courtney White, Scott Cohen, Milliman; Sidney Keisner, UAMS; Mary Grace Smith, Sheila Weddington, ASE Retiree; Ericka Gee; Ann Purvis, Amy Fecher, Alex Johnston, TSS; John Vinson, APA; John Bridges, ASEA; Sean Seago, MERCK; Stephen Carroll, AllCare Specialty; Nima Nabavi, Amgen; Donna Morey, ARTA; Brent Flaherty, MedImpact; Ronda Walthall, ARDOT; Sylvia Landers, Colonial Life;

Approval of Minutes by Ronnie Kissire, Vice-Chair

Scott: I guess I have had a misunderstanding in terms of what the role of then Benefits Committee is. Could someone explain exactly what it is that we are supposed to do?

Howlett: As far as the Board, I can send out the statutorial obligations to the subcommittee. As a whole, the Benefits subcommittee works in concert with the other subcommittees in support of the Board for the respective plan, whether it be initiatives, programs, looking at rates, and exploring the fiscal status of the plan and options for the plan. There are mechanisms for the coverage policy and criteria that over time have been looked at, such as deductibles, out-of-pocket, certain coverages, whether it be a wellness coverage or other components. So, there are recommendations that come from that and then times when there isn't.

Scott: I'm just trying to get some understanding because I have been assuming something that was not correct. In terms of recommendations to the Board from the Benefits, those items that you mentioned, the rate increases, deductibles, and so forth; does that necessarily have to come before the Benefits committee first and then recommended to the Board or can the Board just automatically make recommendations on their own without the review or consent of the Benefits Committee.

Howlett: I would like to go back and read that statute verbatim to be able to provide that. As far as an interpretation from that, it's not read that it is required.

MOTION by Lilly-Palmer:

Move to approve the July 17, 2020 minutes.

Moran seconded; all were in favor.

Minutes Approved.

Howlett: Based on some of the events as we have explored things this summer, I'd like Secretary Fecher to address the committee as far as steps and things that have occurred in the last several weeks.

Fecher: I just wanted to update everyone on some of the happenings since the August 5th Board meeting and the changes to the plan that were voted on in that meeting. We have had an outpouring of calls to EBD, me, and to legislators regarding the pharmacy benefits for our Medicare-eligible retirees. Chris and I have presented at two legislative committee meetings: the Public Health and the PEER committee, and we are going to present again on September 28th to the Insurance and Commerce committee. What we have been in discussions with some legislators about at this point is taking any suggested changes or edits to what was approved by the Board and working with Milliman to get the exact amount that any of their suggested changes would net to the state and coming back to the Board with that information. So, for this committee, if there are any questions that you all have about any of the recommendations that were voted on at the August 5th meeting and you want to make suggestions as well, we can get the information. We are keeping what's coming from the public and the legislators on a spreadsheet, and we are working through those with Milliman to get answers for each one of the suggestions. If you have any questions, I would be happy to take those

Scott: I was at that meeting that you are referencing. One of the questions that came up and that I have been getting from members, my phone has been blowing up, is the shared concern about the premium deduction. They feel that if they're going to be removed, then there should be a reduction in the premium. In terms of a suggestion, I am not sure how you are taking the information, but I would certainly like for that item to be placed on the list for a response by you, Milliman, or whoever is going to be doing those responses.

Fecher: We would be happy to do that. Can you explain what you're talking about an amount or percentage of a reduction?

Scott: Can I just send that information to you?

Fecher: Certainly.

COVID Update: Elizabeth Montgomery, ACHI

Montgomery presented analyses regarding COVID-19 impact on the plan, reviewed COVID-19 test utilization and related costs, assessed updated output on COVID-19-related telemedicine utilization

within the plan and service utilization by diagnoses, and presented school district and ZIP code-level statewide data

Discussion:

Scott: In terms of your report, it centers on the importance of what COVID is doing to the plan, is though the primary principle of your presentation?

Montgomery: Yes sir. In concert with Director Howlett, part of ACHI's role is data and analytics support for the plan. Really with the impact of COVID within the state, that's been the goal of this particular update that we've given. As you know, we have presented on a number of topics over time, but that's really the intent of these updates as COVID is happening within the environment that we provide some plan-specific information about an impact on our members.

Scott: You have given us numbers on actual members, our members, that are on the plan. How many have reported COVID activity?

Montgomery: Yes sir. We do have that information presented today. We do get information from the Health Department, and then we are able to identify and deidentify, of course, just the amount of positive tests within the plan, etc.

Scott: Is there any cost associated with that analysis in terms of the number of people that have been reported?

Montgomery: Yes sir, I do have some cost data her to present today as well, both associated with COVID-19 testing, inpatient, emergency department utilization, and also some associated with telemedicine costs.

Scott: Under your diabetes, the 4968 members, do you, by chance, keep information on African Americans versus other ethnic races?

Montgomery: That's a great question. I do believe that is a question I would have to take back to our analytics team. We do receive the member file, which does have some demographic data in terms of looking at plan type, gender, and I believe race is included. That is something that we could have as a takeaway to look at, but I don't have that breakout today. If that's available within the claims, that is something we could look at in terms of the demographics for our plan members that have some of these conditions.

Scott: I think this answers the question you were asked back in the July meeting about if there was a difference in cost between the telemedicine versus the inpatient, and the response then was that it was based on how the services were coded. So, is this showing us not what those costs are based on the various codes?

Montgomery: Yes sir. So, this particular analysis here, with the updated data that you see through June, this is reflective of telemedicine specific codes that the plan allowed to be paid for COVID-19 and also codes that were in existence prior to this. There were certain services that we're allowed to be done through telemedicine, and actually we have a service category breakout.

Plan Update by Paul Sakhrani & Courtney White, Milliman

Sakhrani and White provided an update on the 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 August 2020
- 2020 projected Plan experience
    - Allocated reserves for 2020 is $25.1M
    - Estimated deficit of $7.8M
    - End of Year Assets: $63.8M
    - Incorporate estimated impact of COVID from deferred services, pent-up demand, and treatment / testing costs
    - No Plan changes / 5% increase in employee contributions
- 2021 Plan experience
    - Allocated reserves for 2021 is $14.5M
    - Projected deficit: $29.8M
    - End of Year Assets: $79.1M
    - Reflected 2021 program initiatives
    - Increased membership based on historical patterns
    - Baseline trends (medical: 5%, pharmacy: 8%)
    - August 5, 2020 Board action

PSE

- Projections updated to incorporate claims data incurred from March 2019 to February 2019 and paid through August 2020
- 2020 Plan experience
    - Allocated reserves for 2020 is $25.3M
    - Estimated deficit of $15.4M
    - End of Year Assets: $108.3M
    - Incorporate estimated impact of COVID from deferred services, pent-up demand, and treatment / testing costs
    - No Plan changes / 0% increase to employee contributions
- 2021 Plan experience
    - Allocated reserves for 2021 is $15.5M
    - Projected deficit: $27.5M
    - End of Year Assets: $65.3M
    - Reflected 2021 program initiatives
    - Increased membership based on historical patterns
    - Baseline trends (medical: 7%, pharmacy: 8%)
    - August 5, 2020 Board action

Discussion:

Scott: Based on what you just said here regarding the Board action on August 5th, going back to your previous slide where we have the surplus. That is directly related to the action of removing the retirees from coverage.

White: Yes. All of those initiatives are reflected in those projections.

Scott: Let me ask you this, just as a personal reference, on that recommendation of the removal, were there any other alternative considerations made by Milliman at all just versus the removal the retirees from the system? Were there any other alternative recommendations that you reviewed or discussed or possibly could have offered?

White: We looked at different alternatives back in the May timeframe, April/May timeframe. So, we looked at additional employee contribution changes, increases to the deductibles, and maximum out-of-pockets. Those were the other two main drivers, and I think that the savings from the benefit changes were relatively small compared to the part D change.

Scott: Those, in other words, what you're saying, the surplus amount of both would not equal what you're seeing here with the recommendation for removal. Is that what you're telling me?

White: That's correct.

Lilly-Palmer: Based on what Herb was asking, just to clarify a little bit to that question, when you looked at everything, did you possibly look at a minor increase in the post sixty-five retiree rates instead of the pharmacy Part D being taken away?

White: I can't remember off the top of my head, but I think we did include that in the May presentation showing what a one percent increase would be or per one percent. It was small.

Scott: You probably would have had a different outcome if you had varied those percentages: one percent, three percent, five percent.

White: Correct, I think we showed it as a per one percent. So, if it was five percent, it would have been five times those variables, and ten would've been ten percent of those variables.

Scott: Is there a way you could go back and play with that and tell us what the outcome will be if you use varied percentages?

White: We can show you what a ten percent or twenty percent increase would do. I think it still would fall short. We can definitely look at that for you.

Kissire: I think the question that it might help Herb when he is answering questions is you know, what would you have to raise that to, to make that difference?

White: We can say, if we kept the Medicare Part D coverage, what would the contributions have to be.

Kissire: Yes, I think that would probably be helpful.

Scott: Could you explain to me, again, the end of year assets definition? I thought I knew what that was, but looking at 2019 with $96.6, then you dropped down in 2020 and it

goes, in my mind, down to $63.8, and then back up in 2021 to 79.1. So, what does that represent?

White: Sure. So, think of it kind of like your bank account and your savings account. So, we start with $96.6 million, and that includes money that's already allocated to help offset premiums in 2021. So, that's the $25.1 million. $96.6 minus the $25.1 is $71.5 million. Then, because we're running a loss in 2021 that eats away at the assets to get us down to the $63.8 million. So, it's like we wrote checks for money we didn't have in 2020. Then, as we move into 2021, we're starting with $63.8 million and the $14.5 million is going to go out the door in premium reductions, but then we're also generating a surplus in 2021 to help replenish the fund.

Director's Report by Chris Howlett, EBD Director

Howlett stated we would be glad to take any of the options that you would like modeled, and we would appreciate those sooner rather than later so we can give EBD and Milliman a chance to work those. As always, if you have any comments or questions that you would like a response to, please get that to myself and/or to the EBD Board email box. Mr. Scott, I will have that requested information back to you all by the end of today as far as the statute. We will continue to work with Mike, Izzy, and ACHI on the relationship that the plan is having with the COVID experience relative to the state population. We will be working towards the models to be able to present that information to you.

MOTION by Lilly-Palmer:

I make a motion to adjourn the meeting.

Scott seconded; all were in favor.

Meeting Adjourned

SEPTEMBER 2020 BENEFITS SUBCOMMITTEE PRESENTATION

Izzy Montgomery, MPA
Policy Analyst

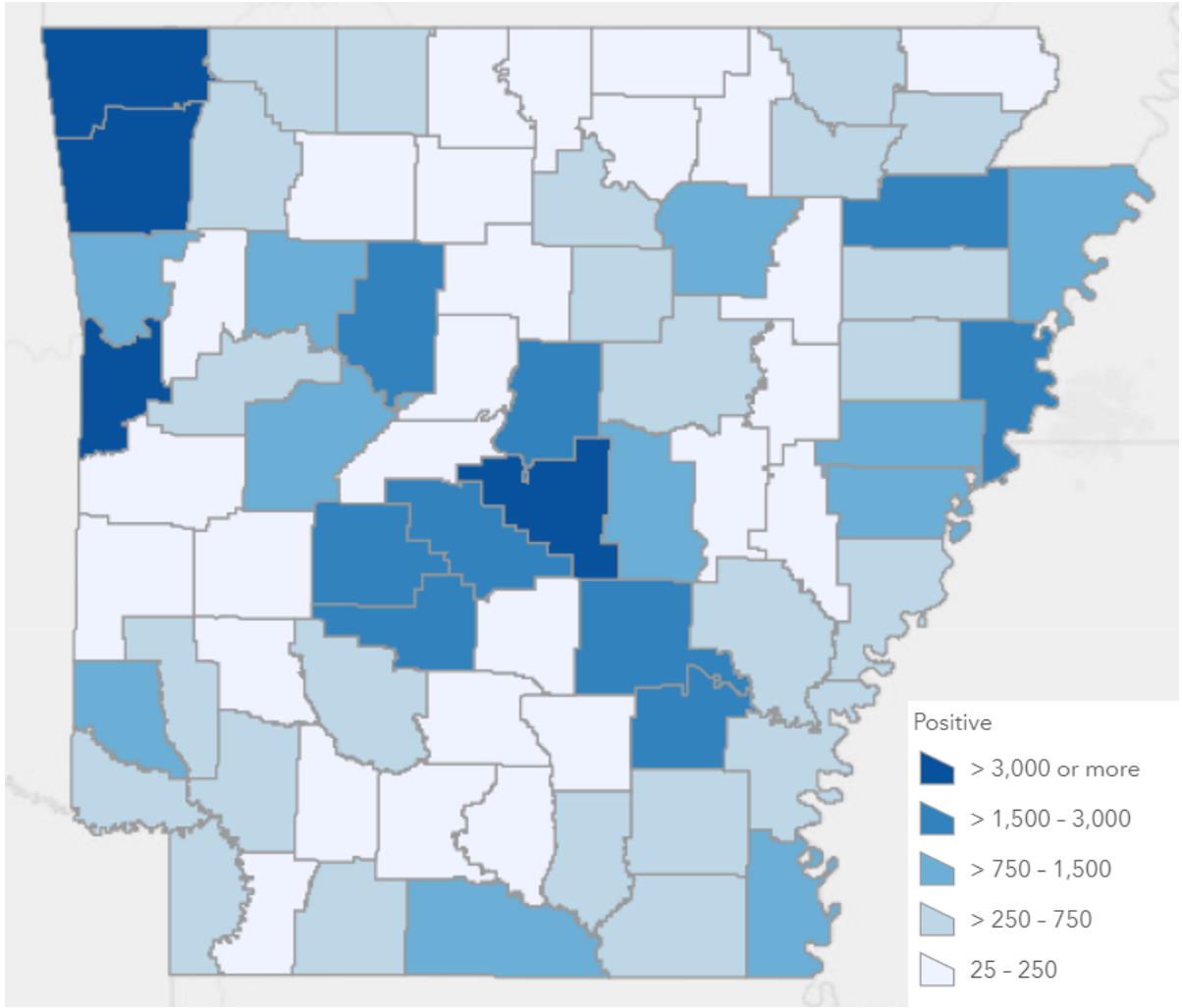
9.18.2020

ACHI
INSPIRING HEALTHY ACTS

OBJECTIVES

- Present analyses regarding COVID-19 impact on plan
- Review COVID-19 test utilization and related costs
- Assess updated output on COVID-19-related telemedicine utilization within plan, including related costs and service utilization by diagnoses
- Present school district and ZIP code-level statewide data

COVID-19 IN ARKANSAS



Cumulative Cases:
70,731 (5,572 active)

Hospitalized: 387

On Ventilator: 65

Deaths: 1,010

Source: Arkansas Department of Health, as of Sept. 14

COVID-19 ANALYSES

- Data from March 17–September 7, 2020
- Estimated total of members ever tested: 41,053
- Tests paid for by EBD (April—June 26, 2020): 6,509
- Total with positive test: 3,153 (ASE=1,650, PSE=1,503)

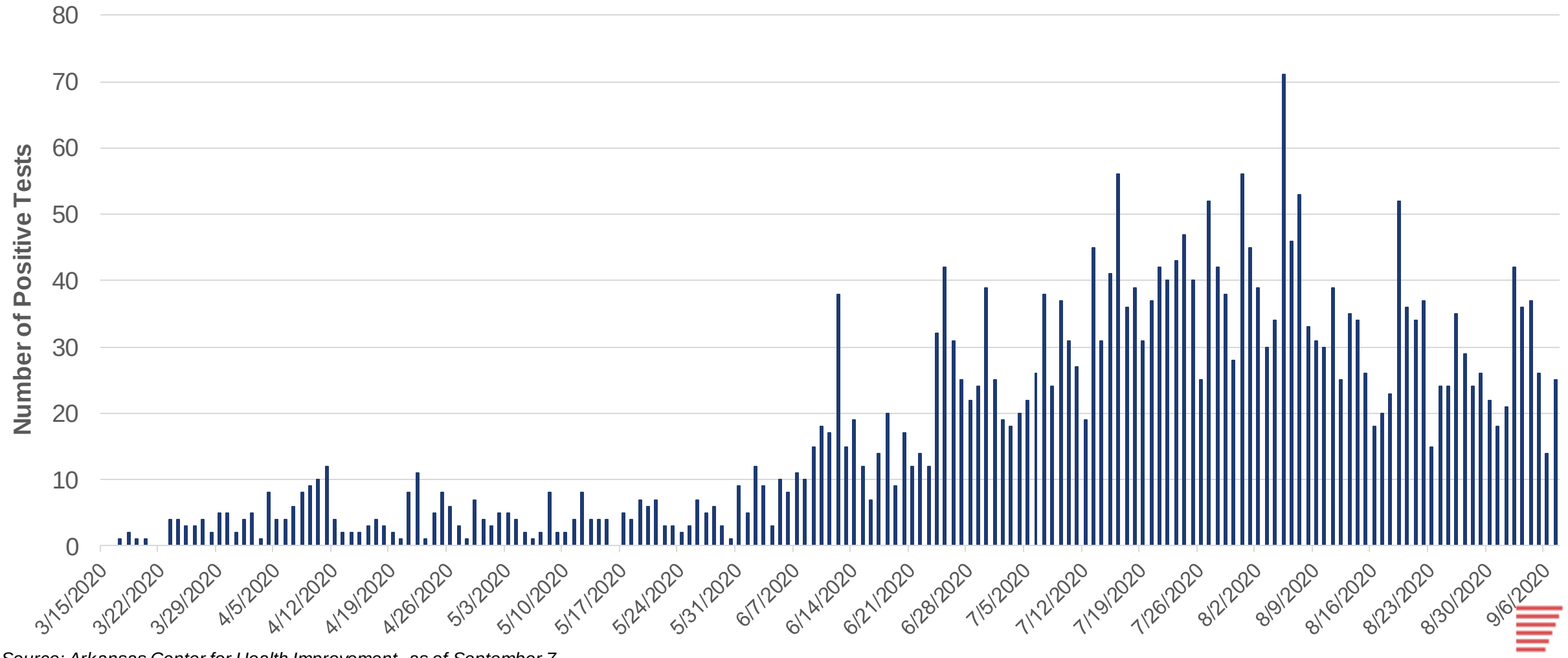
Source: Arkansas Center for Health Improvement, as of September 7

COVID-19 ANALYSES

- Total members ever hospitalized: 206 (ASE=110, PSE=96)
- Total members ever in ICU: 74
- Total members ever intubated: 27
- Deaths: 21

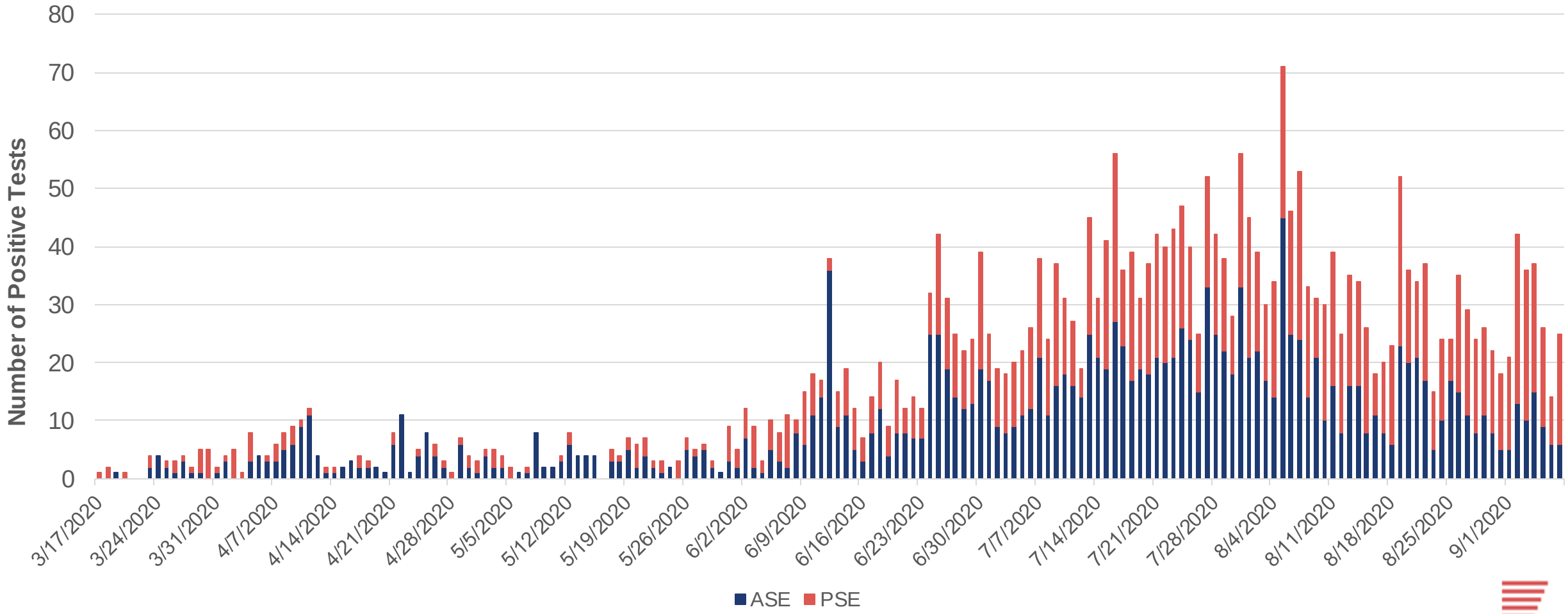
Source: Arkansas Center for Health Improvement, as of September 7

DAILY POSITIVE TEST COUNT — EBD MEMBERS



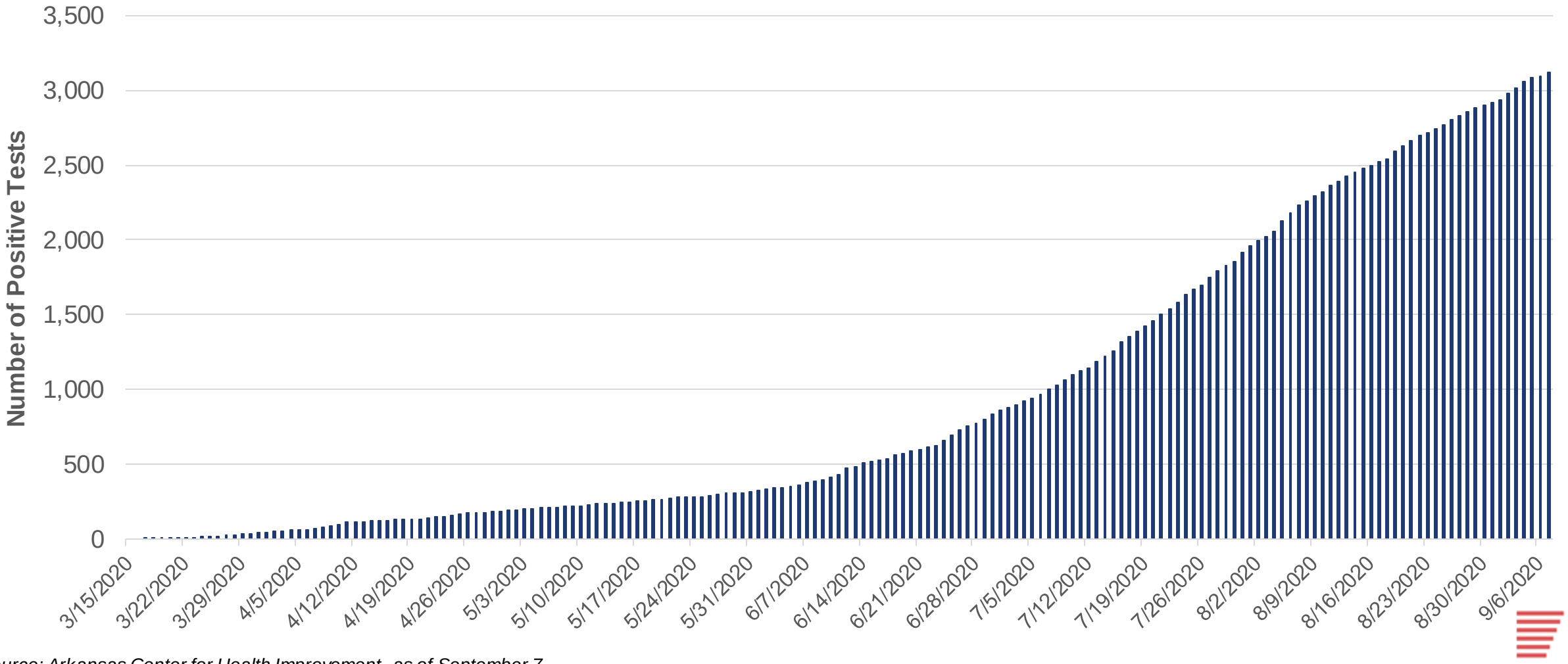
Source: Arkansas Center for Health Improvement, as of September 7

DAILY POSITIVE TEST COUNT BY ASE & PSE



Source: Arkansas Center for Health Improvement, as of September 7

TOTAL POSITIVE TEST COUNT — EBD MEMBERS



Source: Arkansas Center for Health Improvement, as of September 7

STATEWIDE ADJUSTED RELATIVE RISK OF SEVERE OUTCOMES FOR SELECTED CONDITIONS

	Hospitalization	ICU admission	Intubation	Death
Kidney Failure	**+60%**	**+80%**	**+140%**	**+100%**
Immunocompromised	**+80%**	**+90%**	**+160%**	**+70%**
Diabetes	**+60%**	**+60%**	**+60%**	**+70%**
CHF	**+50%**	**+70%**	+40%	**+60%**
Dementia	-10%	-10%	-50%	**+50%**
COPD	**+40%**	**+50%**	-10%	+20%
Asthma	**+30%**	+30%	+20%	+20%
CHD	**+30%**	**+20%**	+30%	0%
Other Heart Diseases	**+20%**	+20%	-10%	-10%
Mental and Behavioral Disorders	**+10%**	-10%	-20%	+10%
Essential Hypertension	0%	+10%	0%	-30%

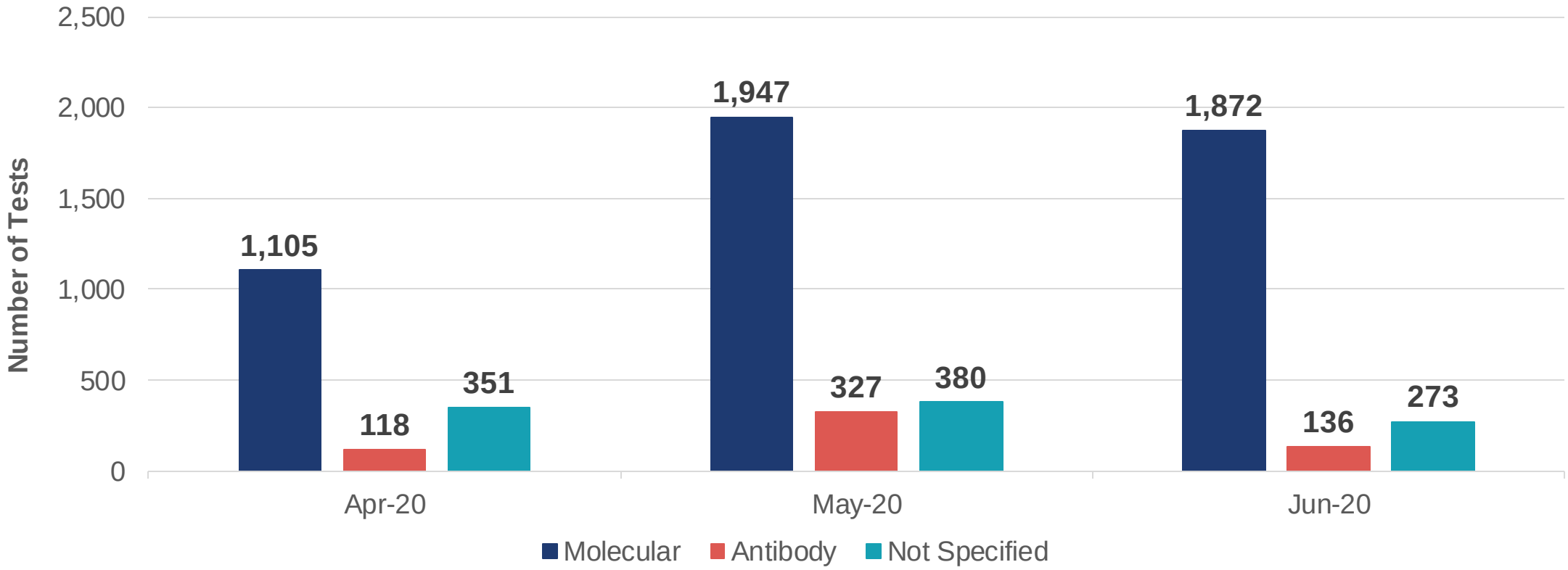
Note: Sample size more than 17,000 COVID-19 patients, chosen based upon data availability.

COUNTS (PREVALENCE) OF ASE/PSE PRIMARY MEMBERS WITH SELECTED CONDITIONS

	ASE	PSE
Kidney Failure	*824 (1.7%)*	*866 (1.0%)*
Immunocompromised	*536 (1.1%)*	*695 (0.8%)*
Diabetes	*4,968 (10.4%)*	*5,519 (6.4%)*
COPD	*731 (1.5%)*	*559 (0.7%)*
Coronary Heart Disease	*1,959 (4.1%)*	*1,860 (2.2%)*

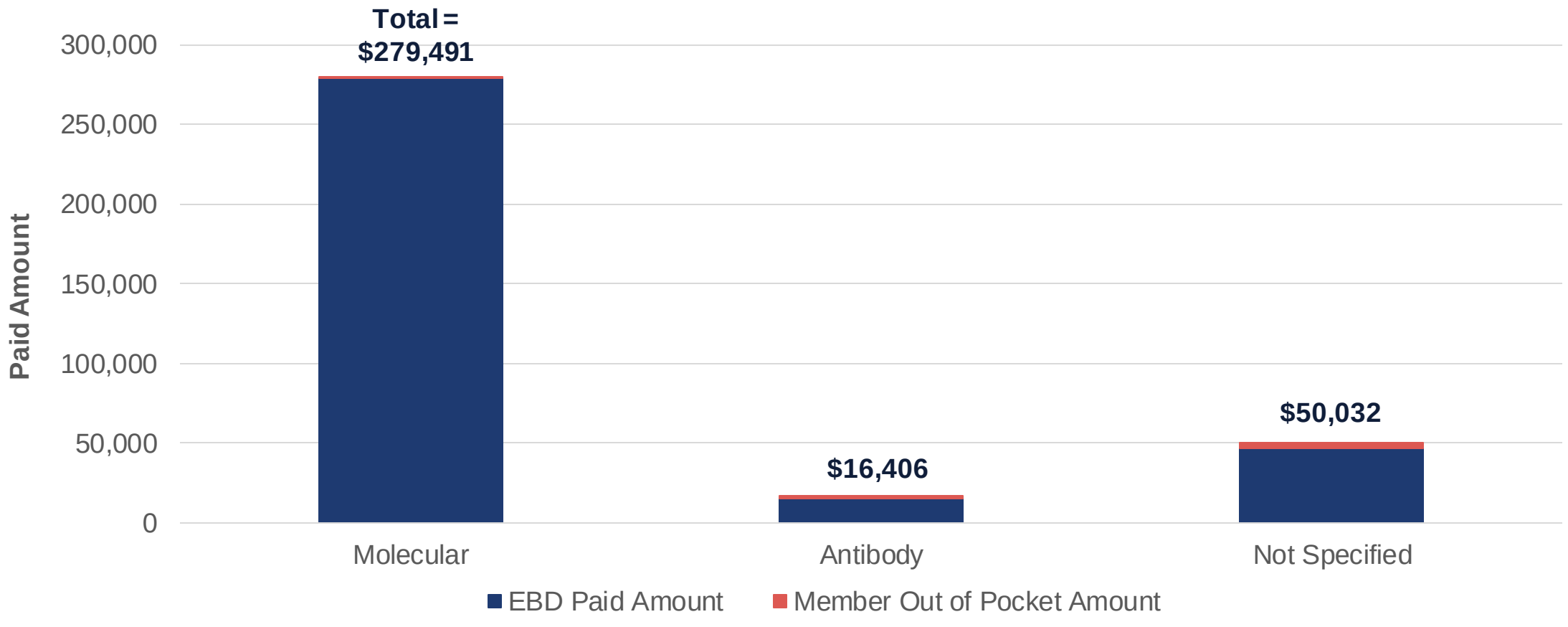
Source: Arkansas Center for Health Improvement

COVID-19 TEST VOLUME BY TYPE WITHIN PLAN (APRIL—JUNE 26, 2020)



Source: Arkansas Center for Health Improvement

EBD PLAN PAID AMT. & MEMBER OUT-OF-POCKET AMT. FOR COVID-19 TESTS, APRIL–JUNE 26, 2020

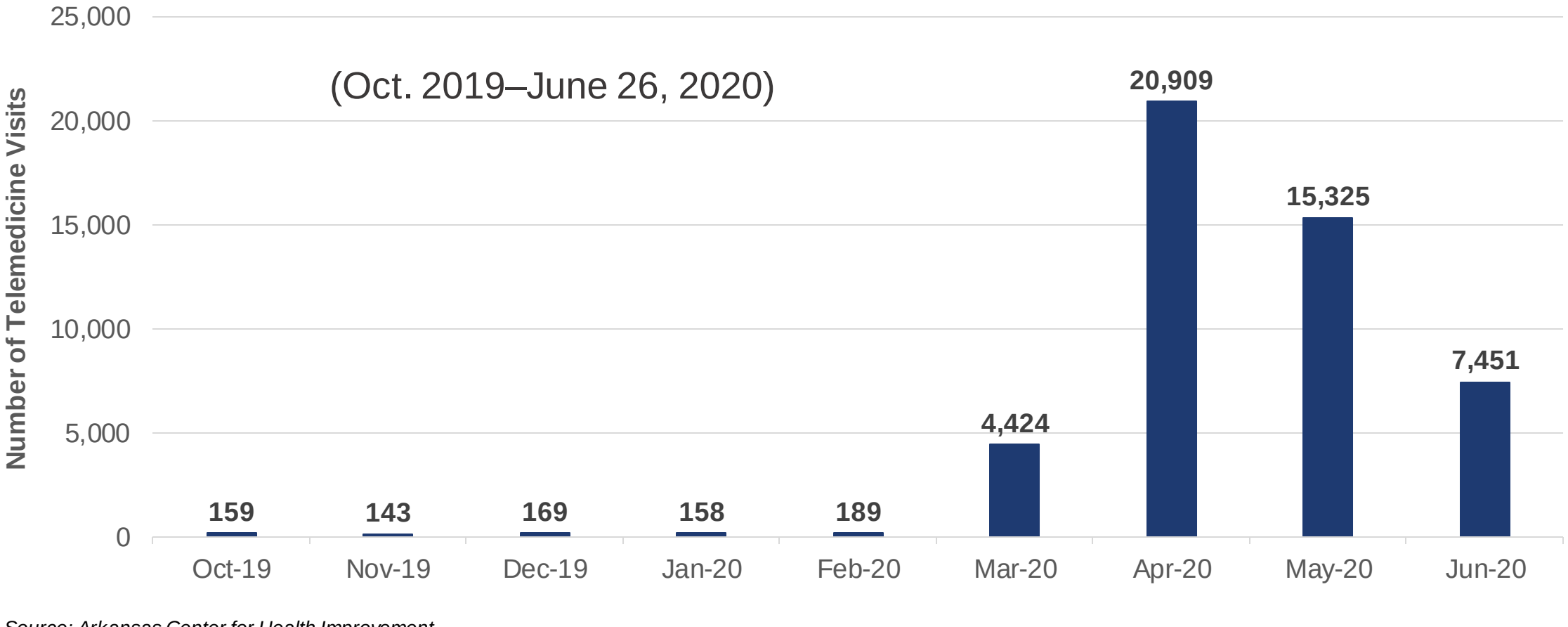


Source: Arkansas Center for Health Improvement

COVID-19 TESTING & OTHER COVID-RELATED COSTS WITHIN PLAN (APRIL–JUNE 26, 2020)

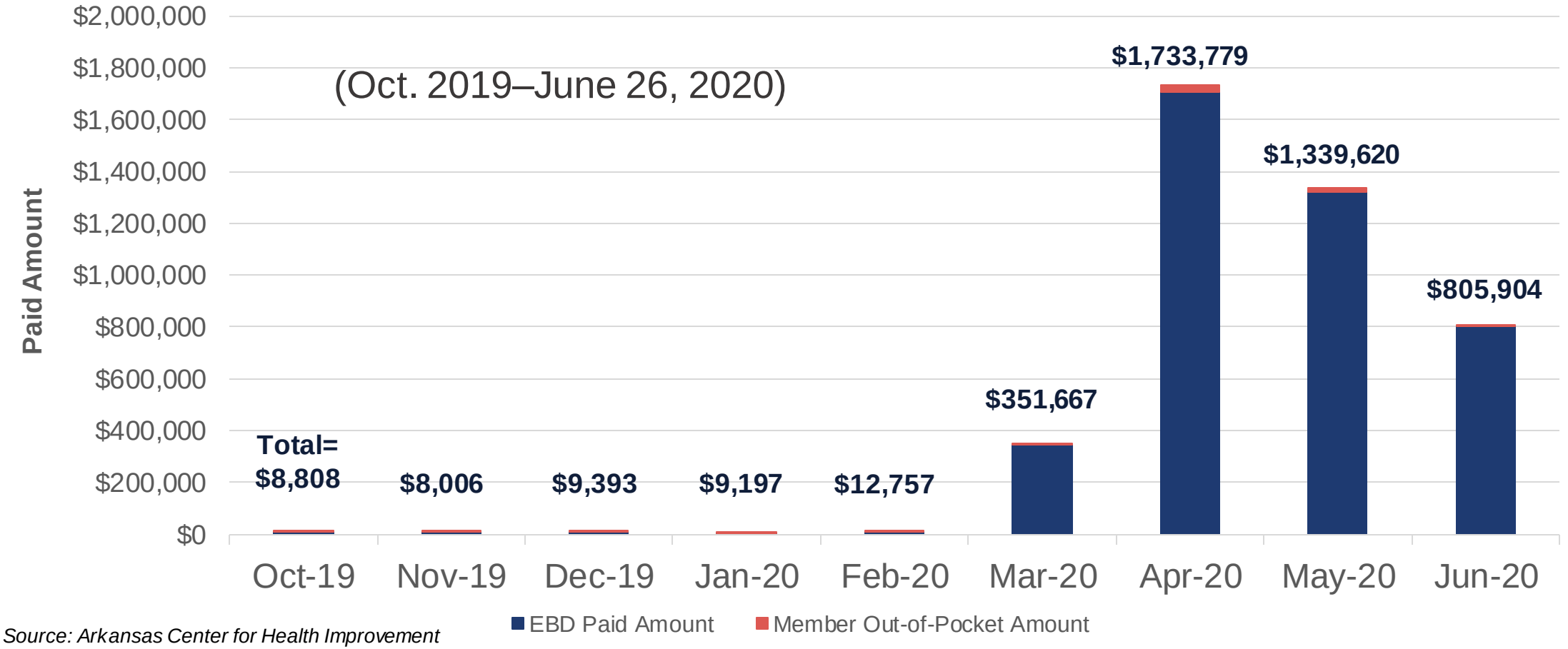
- Total costs for all COVID-19 tests = $340,619 (average of $52 per test)
- Outpatient (OP) or emergency department (ED) visits were associated with 2,919 of 6,509 tests (44.8%)
- Additional costs for associated OP or ED visits = $146,170
- Total amount paid by the plan for testing and associated OP or ED visits = $486,789

TELEMEDICINE SERVICE UTILIZATION WITH PLAN



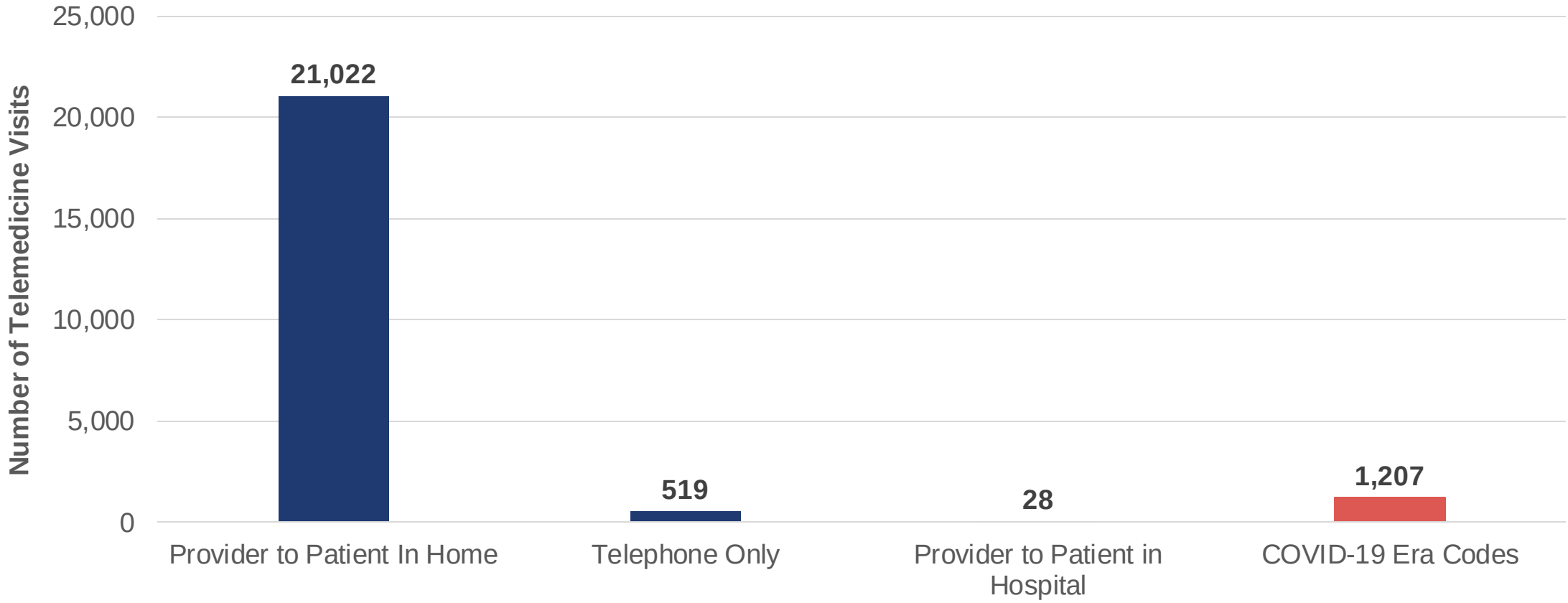
Source: Arkansas Center for Health Improvement

TELEMEDICINE SERVICES: EBD PLAN PAID AMOUNT & MEMBER OUT-OF-POCKET AMOUNT



Source: Arkansas Center for Health Improvement

TELEMEDICINE SERVICE UTILIZATION BY TYPE WITHIN PLAN (MAY & JUNE 2020)

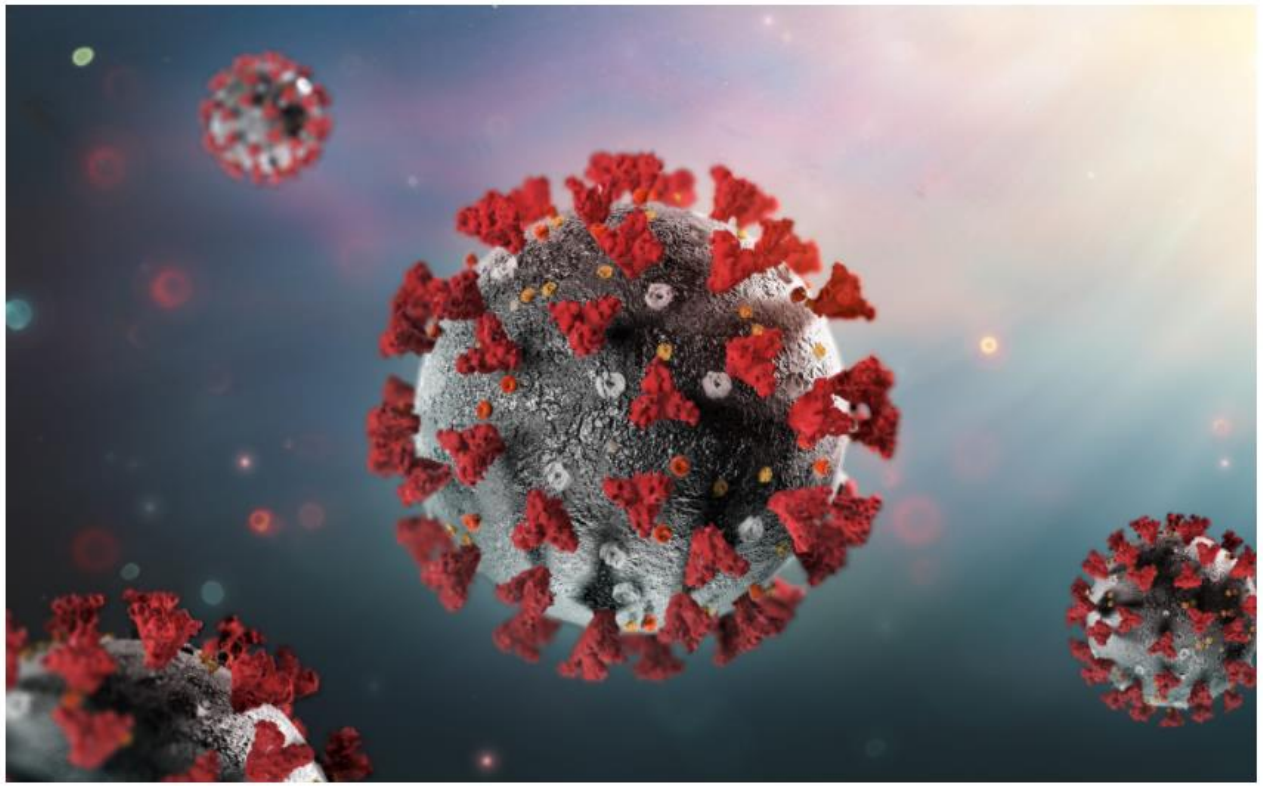


Source: Arkansas Center for Health Improvement

TELEMEDICINE SERVICE UTILIZATION BY DIAGNOSES (MAY & JUNE 2020)

Diagnosis	Number of Diagnoses
Mental health conditions	9,133
Musculoskeletal conditions	7,709
Specific developmental disorders of speech and language	1,186
Essential (primary) hypertension	1,132
Lack of expected normal physiological development in children and adults	717
Type 2 diabetes mellitus	661
Pervasive developmental disorders	333

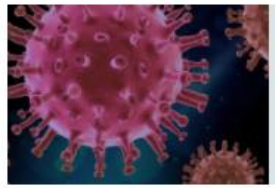
Source: Arkansas Center for Health Improvement



COVID-19 in Arkansas

The COVID-19 pandemic is affecting people around the world, including Arkansans. ACHI will provide updates and insights on this evolving public health crisis including tables with cumulative and active positive COVID-19 cases in communities across the state.

CLICK HERE FOR THE LATEST COVID-19 UPDATES



BLOG

COVID-19 Cases By ZIP Code Available

Read More

BLOG

Trend Information Added To School District-Level COVID-19 Data

Read More

BLOG

Defining COVID-19 Terms: Antigen Test

Read More

IN THE NEWS

ACHI Announces Addition of Active Case Numbers to Community-Level COVID-19 Data

Read More

achi.net/covid19

COVID-19: A LOCAL VIEW

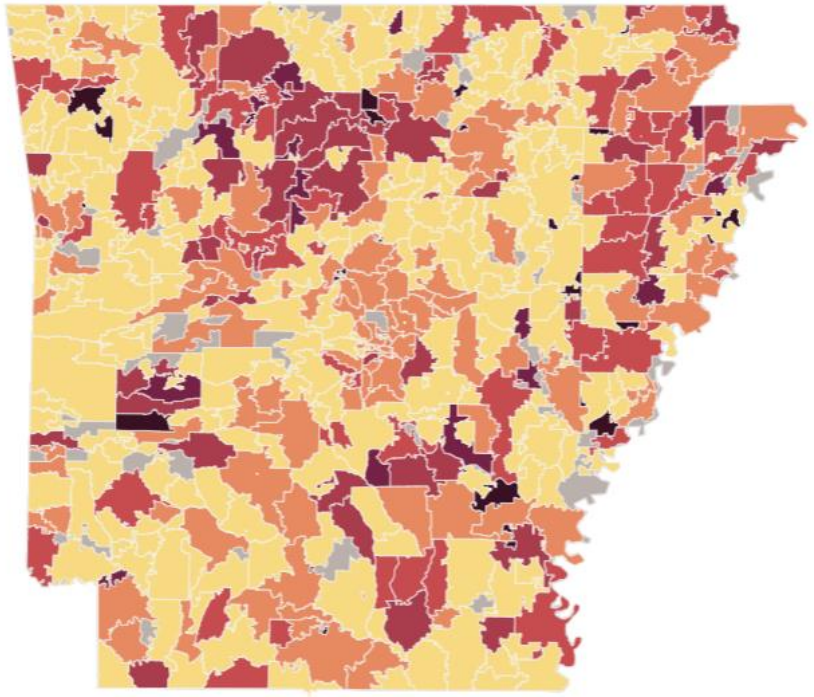
achi.net/covid19

The map illustrates new rates and the table shows cumulative and new numbers and rates of positive COVID-19 cases in Arkansas communities as of September 7. Some ZIP codes have missing rates because rates based on case counts of fewer than 10 are not displayed. *Use the dropdown menu above to select between map and table views.*

Find a ZIP Code

Rates of New Cases for 14-Day Period per 10K Residents

- 0 - 9
- 10 - 19
- 20 - 29
- 30 - 49
- 50 - 99
- 100 or more



COVID-19: A LOCAL VIEW

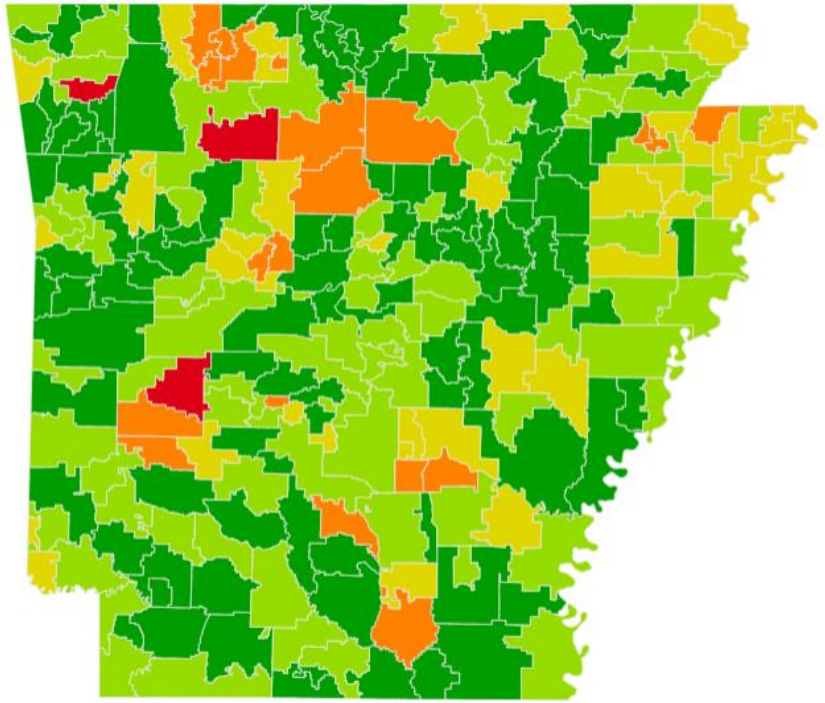
achi.net/covid19

These maps and tables show the counts and trends for new positive COVID-19 cases for school districts as of September 7. School district data consists of all residents in each school district. Some districts have missing rates because rates based on case counts of fewer than 10 are not displayed. *Use the dropdown menu above to select between map and table views.*

Find a School District

Rates of New Cases for 14-Day Period per 10K Residents in the Community by School District

- 0 - 9
- 10 - 19
- 20 - 29
- 30 - 49
- 50 or more



COVID-19: A LOCAL VIEW

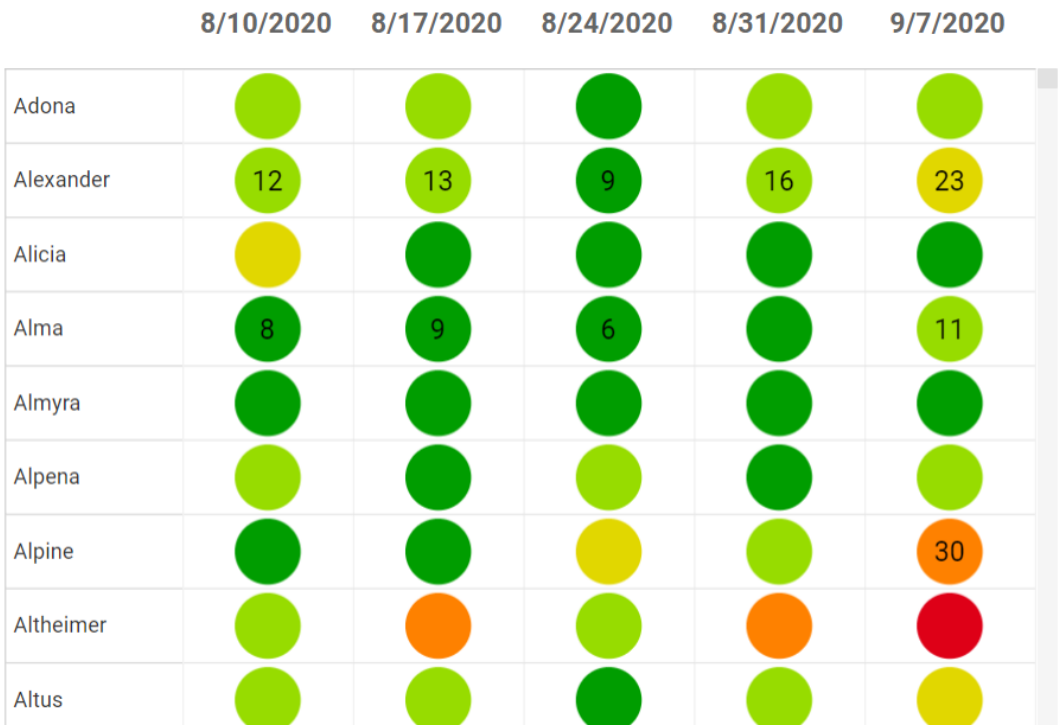
achi.net/covid19

These tables show the counts and trends for new positive COVID-19 cases for communities as of September 7. Some communities have missing rates because rates based on case counts of fewer than 10 are not displayed. *Use the dropdown menu above to select between table views.*

Find a Community

Rates of New Cases for 14-Day Period per 10K Residents

- 0 - 9
- 10 - 19
- 20 - 29
- 30 - 49
- 50 or more



NEXT STEPS

- Updates on estimated number of members tested, number of positive tests, and number of hospitalizations
- Updates on COVID-19 tests and related costs
- Updates on telemedicine utilization and related costs
- Assessments of financial impact of COVID-19 on plan

State of Arkansas Employee Benefits Division

Interim Monitoring Report

Through August 31st

State and Public School Life and Health Insurance Benefits Subcommittee

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

18 SEPTEMBER 2020

Milliman

Agenda

- Arkansas State Employees (ASE)
  - Plan Experience
- Public School Employees (PSE)
  - Plan Experience
- 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 August 2020.
- 2020 projected plan experience
  - Allocated reserves for 2020 is $25.1M
  - Estimated deficit of $7.8M
  - End of Year Assets: $63.8M
  - Incorporate estimated impact of COVID from deferred services, pent-up demand, and treatment / testing costs
  - No plan changes / 5% increase in employee contributions
- 2021 projected plan experience
  - Allocated reserves for 2021 is $14.5M
  - Projected surplus: $29.8M
  - End of Year Assets: $79.1M
  - Reflected 2021 program initiatives
  - Increased membership based on historical patterns
  - Baseline trends (medical: 5%, pharmacy: 8%)
  - August 5, 2020 Board action (next slide)

Board Action – August 5, 2020

- Increased employee contribution for the Active employees and Pre-65 retirees by 5%
  - No change to Post-65 retirees contributions
- Changed wellness credit from $75 per month to $50 per month for Active employees
  - Maintained $0 employee contribution for Basic Plan with Wellness for Employee Only contracts
- Increased State funding from $420 per eligible per month to $450 per eligible per month
- Medicare Retiree to obtain pharmacy coverage through Medicare Part D market
- No benefit or cost sharing changes

Total Plan Experience

Funding	2019	2020	2021
State Contribution	$ 173.61	$ 172.24	$ 184.48
Employee Contribution	97.45	99.27	108.66
Other	23.47	21.65	15.87
Total Income	$ 294.53	$ 293.16	$ 309.01
Medical Claims	$ (194.56)	$ (213.33)	$ (221.57)
Pharmacy Claims	(86.58)	(96.91)	(60.58)
Administration Fees	(18.30)	(17.46)	(17.58)
Plan Administration	(2.90)	(2.80)	(2.90)
Total Expenses	$ (302.34)	$ (330.49)	$ (302.62)
Program Savings	$ -	$ 4.45	$ 8.96
Net Income / (Loss) Before Reserve Allocation	$ (7.81)	$ (32.87)	$ 15.35
Allocation of Reserves	$ 21.70	$ 25.08	$ 14.46
Net Income / (Loss) After Reserve Allocation	$ 13.89	$ (7.79)	$ 29.81

Average Membership			
Active Employees / Pre-65 Retirees	47,755	46,730	46,730
Post-65 Retirees	13,344	13,791	14,204
Total Enrolled	61,099	60,521	60,935

Total Income PMPM[1]	$ 431.31	$ 438.20	$ 442.37
Total Expenses PMPM[2]	$ (412.37)	$ (448.93)	$ (401.60)

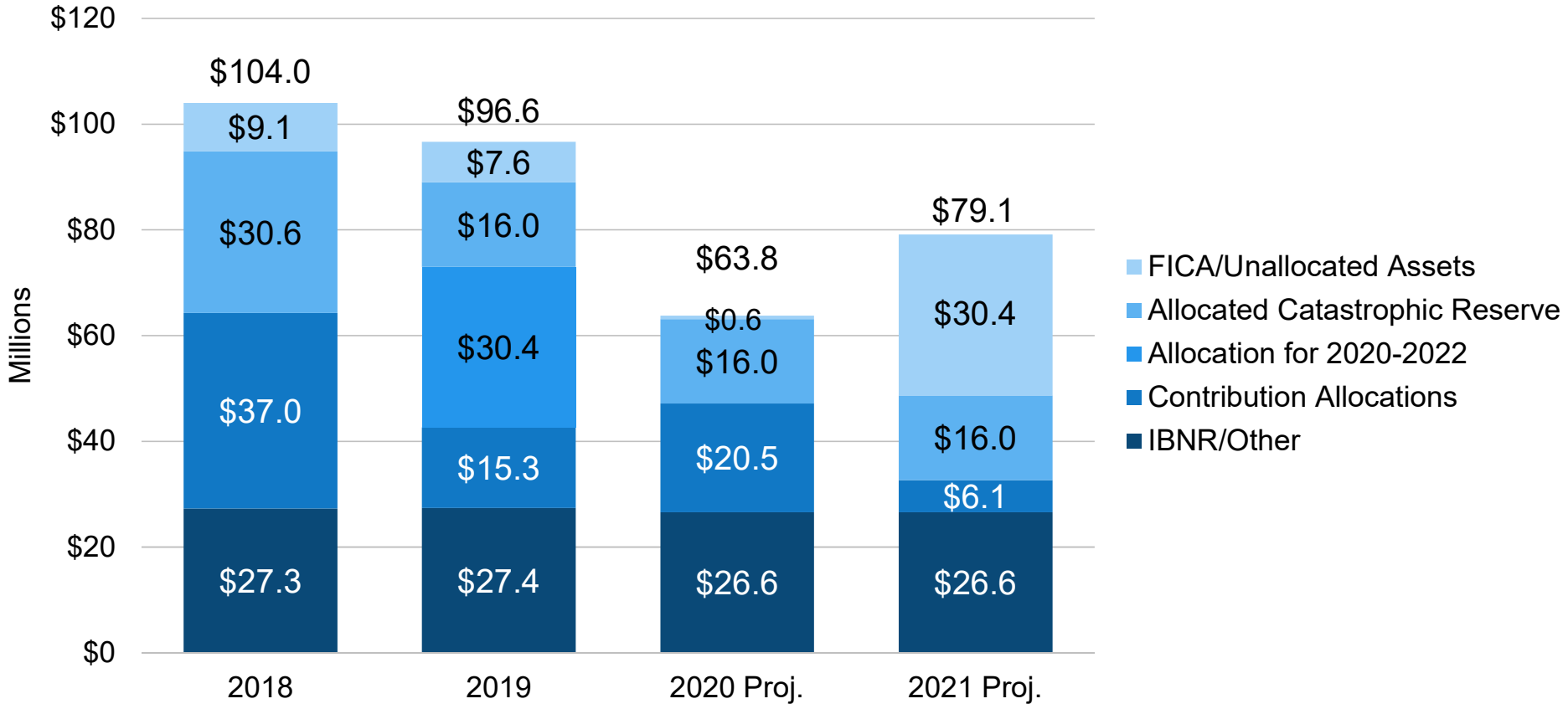
[1] Allocation of Reserves included in Total Income

[2] Total Expenses offset by Program Savings

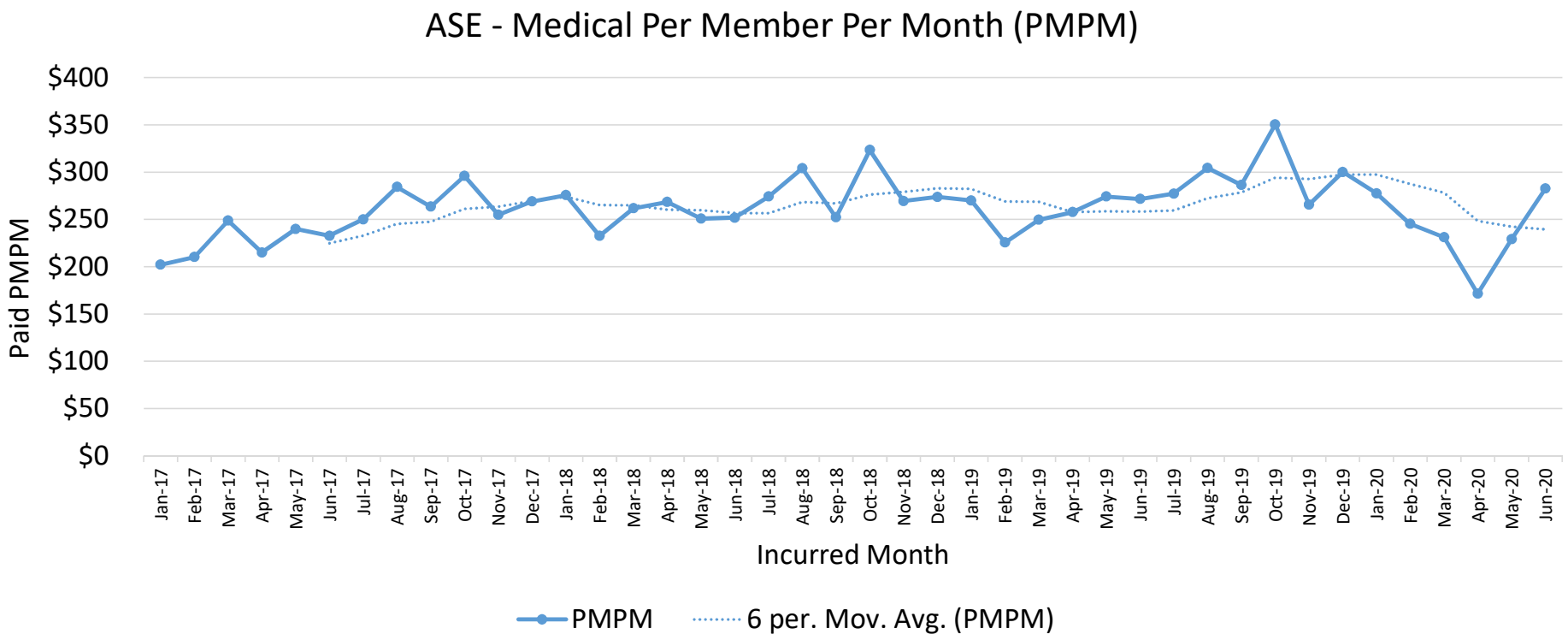
Projected Assets: 2019 – 2021

Development of 2021 End-of-Year Assets ($millions)			
(a)	2019	End-of-Year Assets	$96.6
(b)	2020	Total Income	$293.2
(c)		Total Expenses	($326.0)
(d)		Allocated Assets	$25.1
(e) = (b) + (c) + (d)		Total Surplus / (Deficit)	($7.8)
(f) = (a) - (d) + (e)		End-of-Year Assets	$63.8
(g)	2021	Total Income	$309.0
(h)		Total Expenses	($293.7)
(i)		Allocated Assets	$14.5
(j) = (g) + (h) + (i)		Total Surplus / (Deficit)	$29.8
(k) = (f) – (i) + (j)		End-of-Year Assets	$79.1

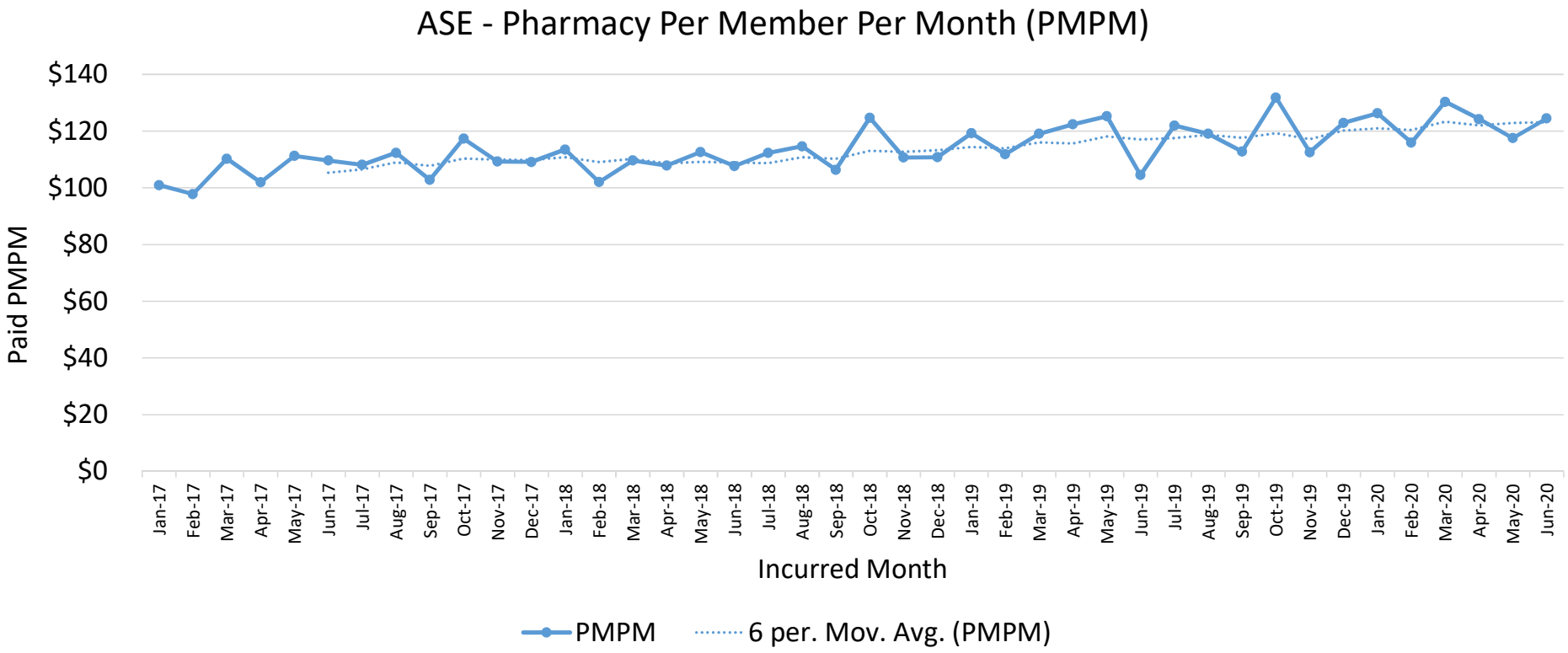
End of Year Assets



Monthly Trend - Medical



Monthly Trend - Pharmacy



Public School Employees (PSE)

Executive Summary

- 2020 & 2021 projections updated to incorporate claims data incurred from March 2019 to February 2020 and paid through August 2020.
- 2020 plan experience
  - Allocated reserves for 2020 is $25.3M
  - Estimated deficit of $15.4M
  - End of Year Assets: $108.3M
  - Incorporate estimated impact of COVID from deferred services, pent-up demand, and treatment / testing costs
  - No plan changes / 0% increase to employee contributions
- 2021 projected plan experience
  - Allocated reserves for 2021 is $15.5M
  - Projected deficit: $27.5M
  - End of Year Assets: $65.3M
  - Reflected 2021 program initiatives
  - Increased membership based on historical patterns
  - Baseline trends (medical: 7%, pharmacy: 8%)
  - August 5, 2020 Board action (next slide)

Board Action – August 5, 2020

- Changed wellness credit from $75 per month to $50 per month for Active employees
- Increased Department of Education funding from $88.1M to $108.1M
- No changes to Active employee, Pre-65 retiree, or Post-65 retiree contributions
- No changes to benefits or cost sharing

Total Plan Experience

Funding	2019	2020	2021
PPE Funding	$ 102.39	$ 105.38	$ 108.89
Employee Contribution	121.12	124.21	138.60
Dept of Ed Funding	88.10	88.10	108.10
Other	15.02	14.88	15.38
Total Income	$ 326.64	$ 332.57	$ 370.96
Medical Claims	$ (247.12)	$ (275.18)	$ (314.77)
Pharmacy Claims	(60.87)	(70.82)	(79.14)
Administration Fees	(28.46)	(28.18)	(29.20)
Plan Administration	(2.61)	(2.55)	(2.63)
Total Expenses	$ (339.06)	$ (376.74)	$ (425.74)
Program Savings	$ -	$ 3.47	$ 11.77
Net Income / (Loss) Before Reserve Allocation	$ (12.42)	$ (40.70)	$ (43.00)
Allocation of Reserves	$ 12.66	$ 25.25	$ 15.48
Net Income / (Loss) After Reserve Allocation	$ 0.23	$ (15.45)	$ (27.52)

Average Membership			
Active Employees / Pre-65 Retirees	82,391	84,475	86,891
Post-65 Retirees	14,279	15,003	15,903
Total Enrolled	96,670	99,479	102,794

Total Income PMPM[1]	$ 292.48	$ 299.75	$ 313.28
Total Expenses PMPM[2]	$ (292.28)	$ (312.69)	$ (335.60)

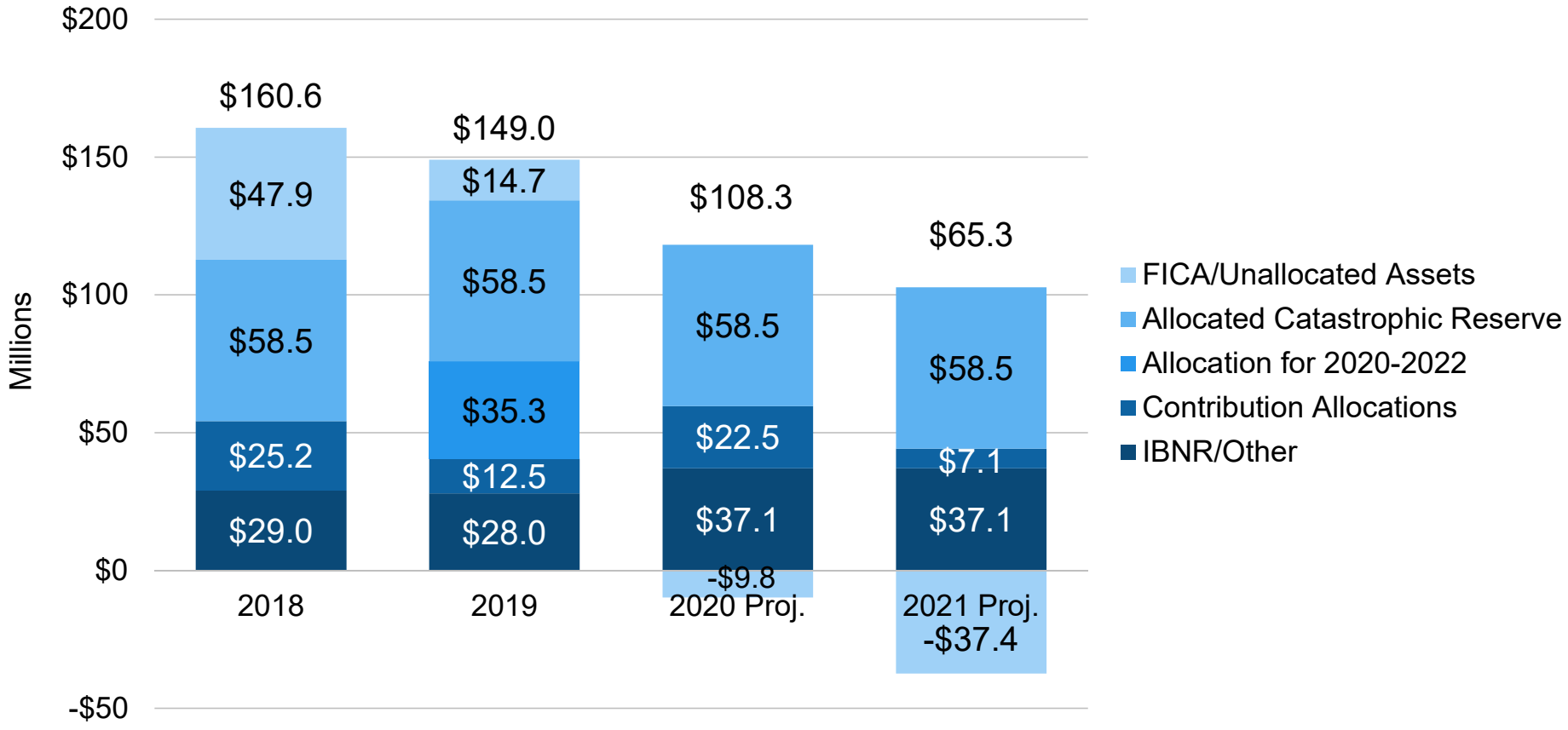
[1] Allocation of Reserves included in Total Income

[2] Total Expenses offset by Program Savings

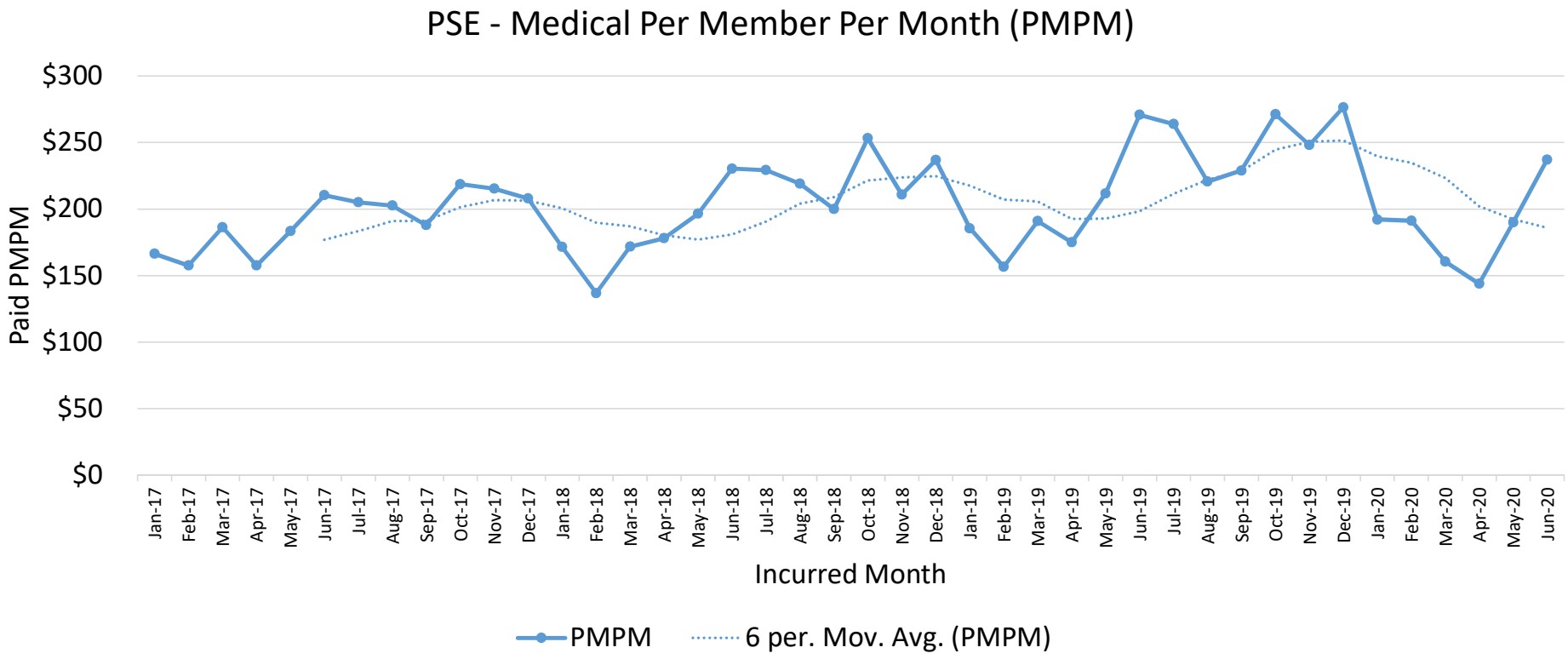
Projected Assets: 2019 – 2021

Development of 2021 End-of-Year Assets ($millions)			
(a)	2019	End-of-Year Assets	$149.0
(b)	2020	Total Income	$332.6
(c)		Total Expenses	($373.3)
(d)		Allocated Assets	$25.3
(e) = (b) + (c) + (d)		Total Surplus / (Deficit)	($15.4)
(f) = (a) - (d) + (e)		End-of-Year Assets	$108.3
(g)	2021	Total Income	$371.0
(h)		Total Expenses	($414.0)
(i)		Allocated Assets	$15.5
(j) = (g) + (h) + (i)		Total Surplus / (Deficit)	($27.5)
(k) = (f) – (i) + (j)		End-of-Year Assets	$65.3

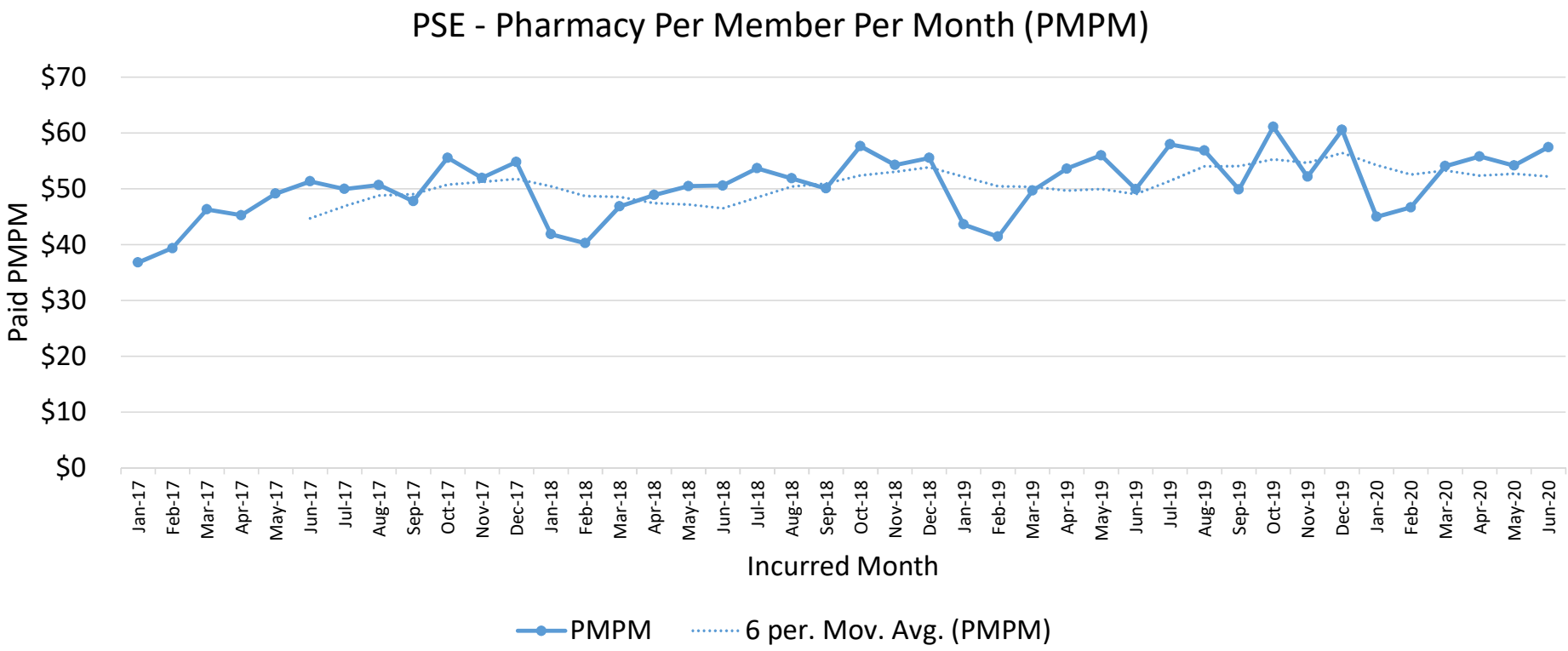
End of Year Assets



Monthly Trend - Medical

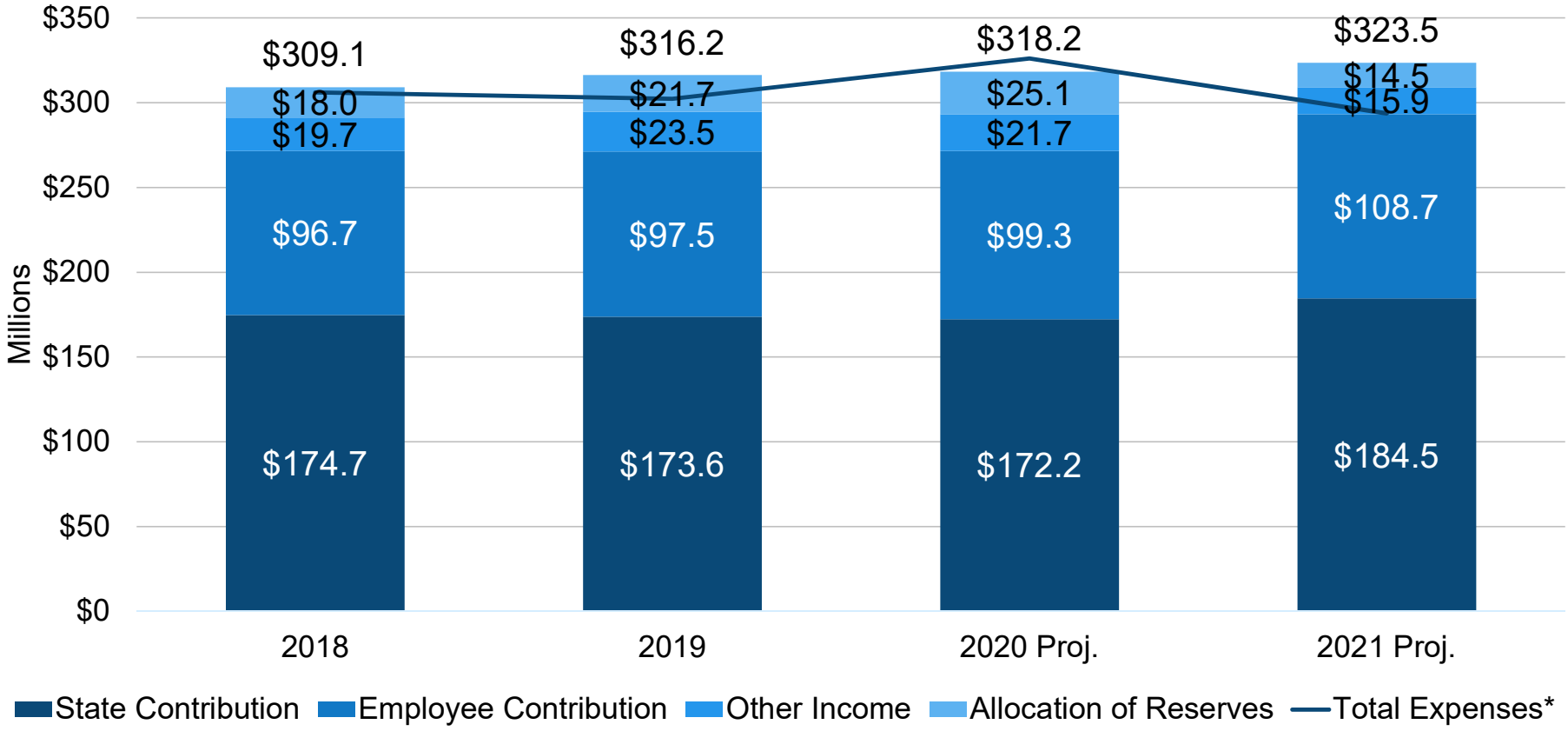


Monthly Trend - Pharmacy



Appendix

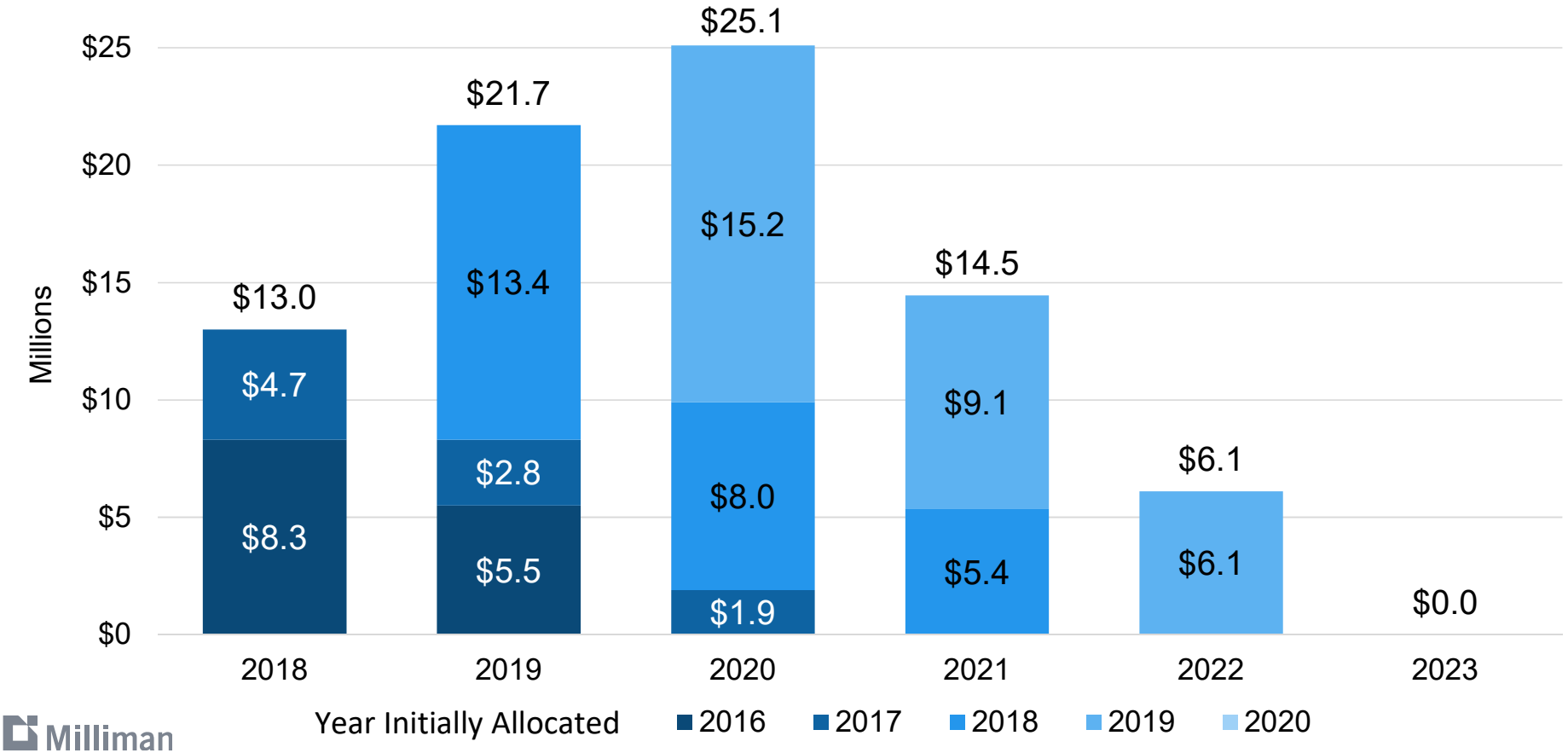
ASE - Income vs. Expenditure



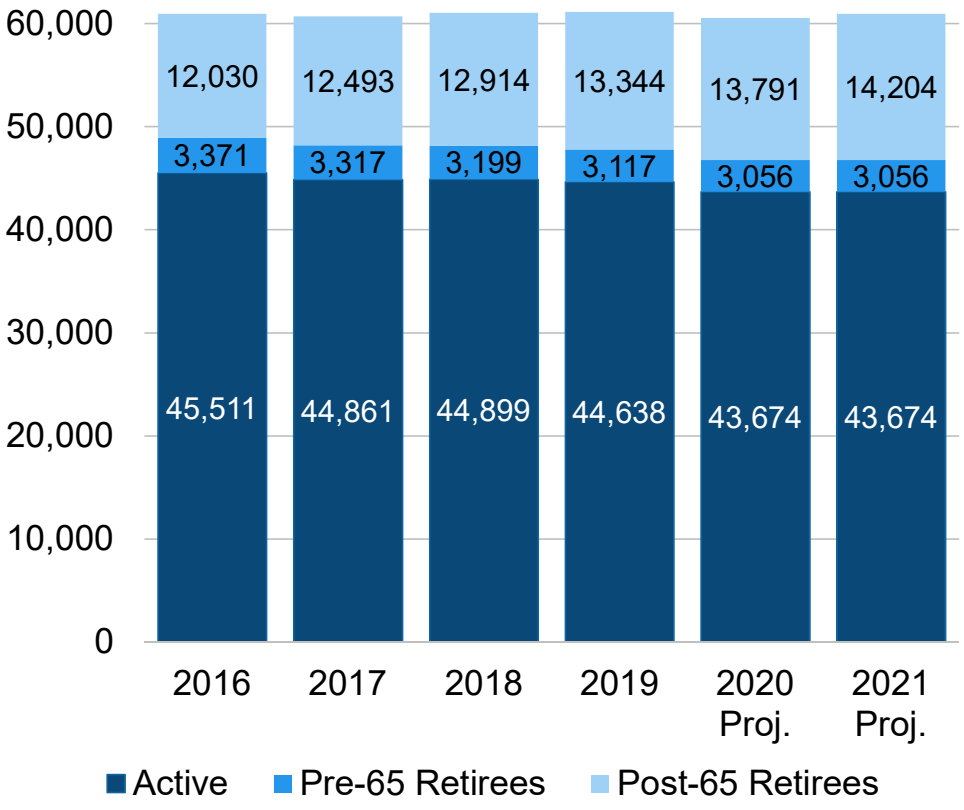
* Total Expenses offset by Program Savings

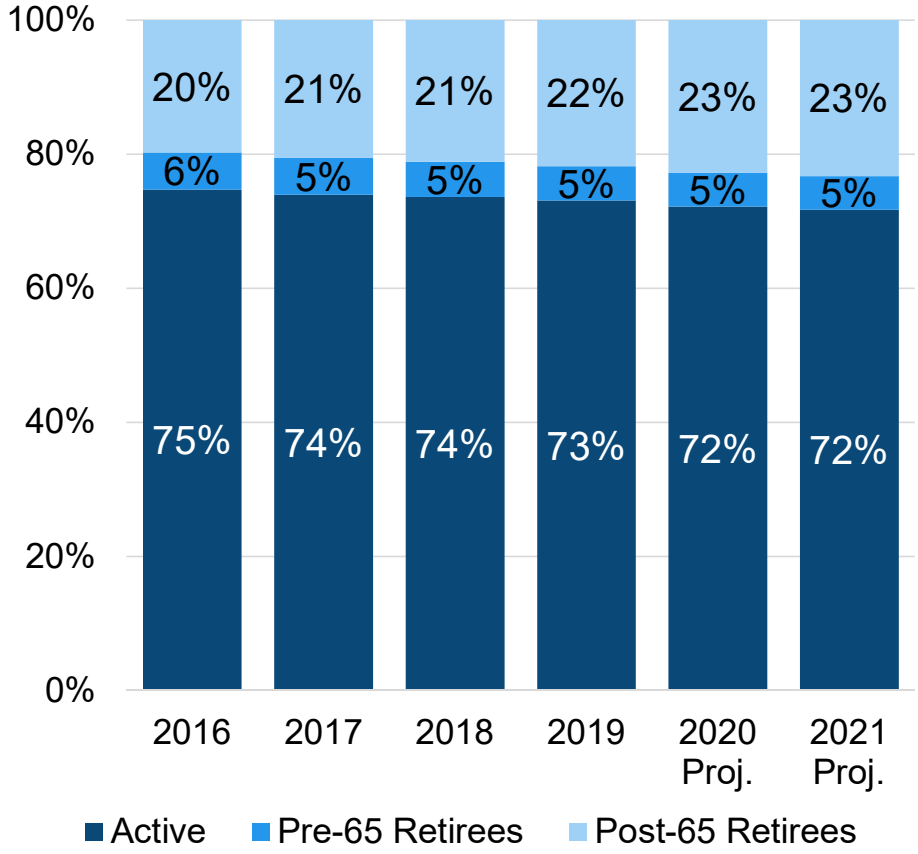
ASE - Reserves Allocation by Year

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

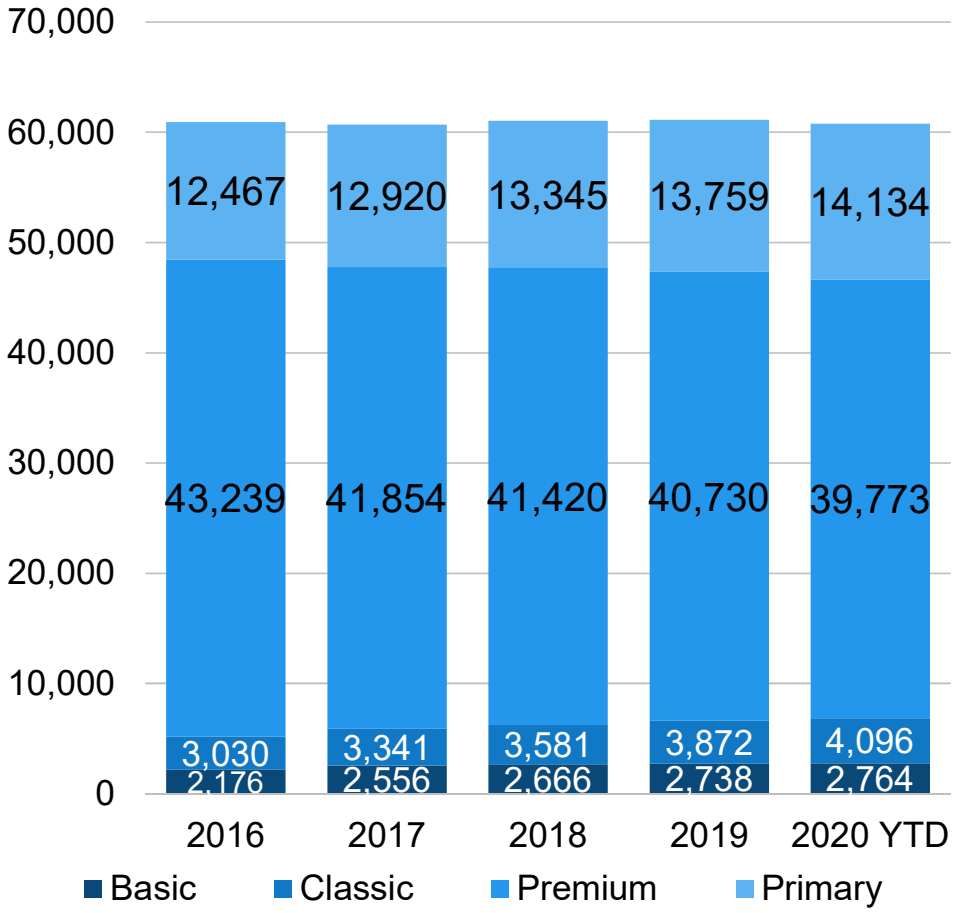


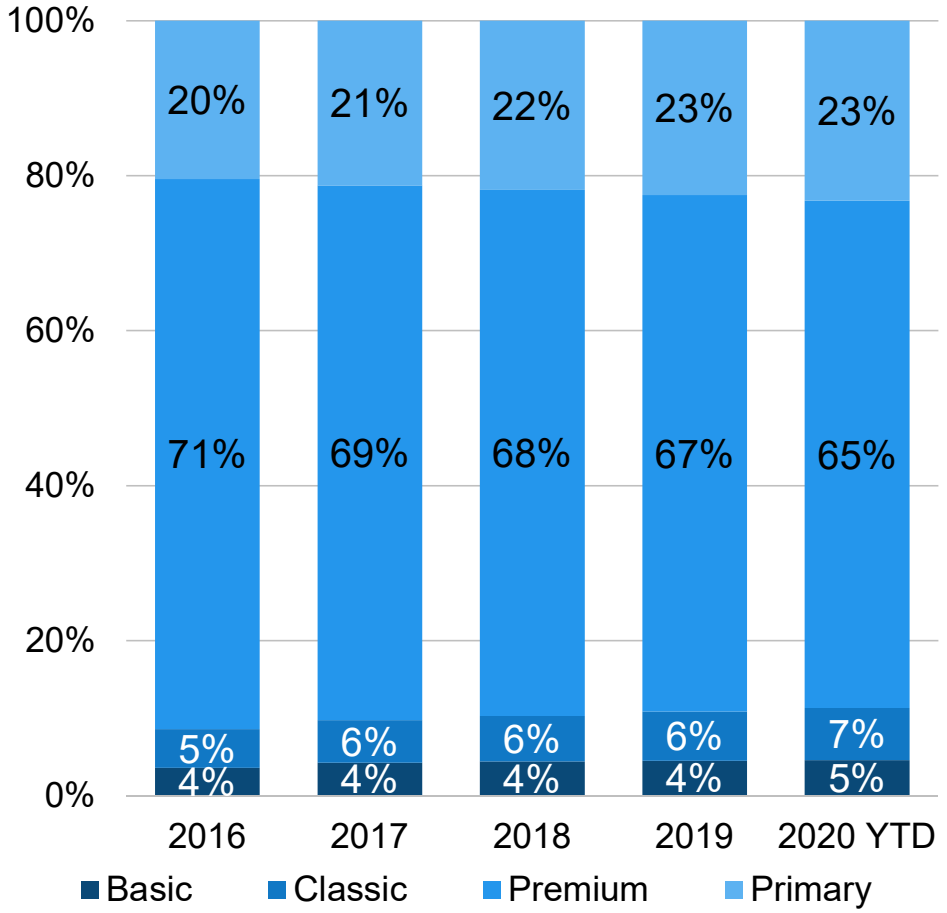
ASE - Average Membership by Status





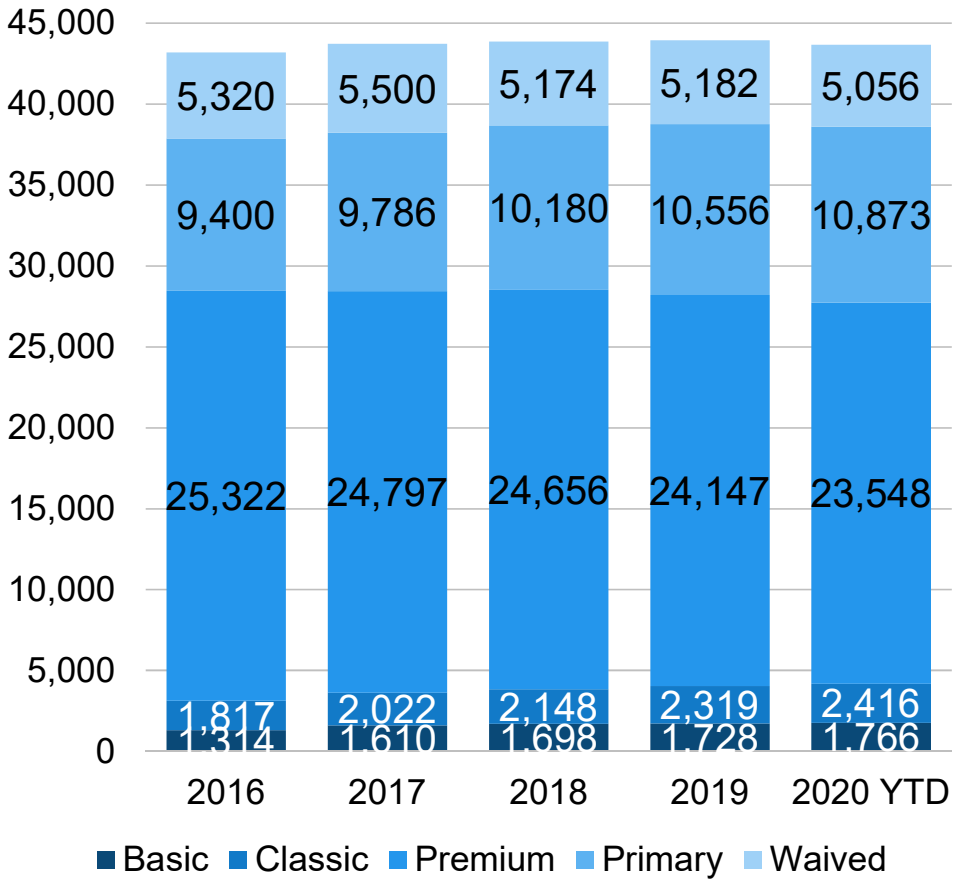
ASE - Average Membership by Plan

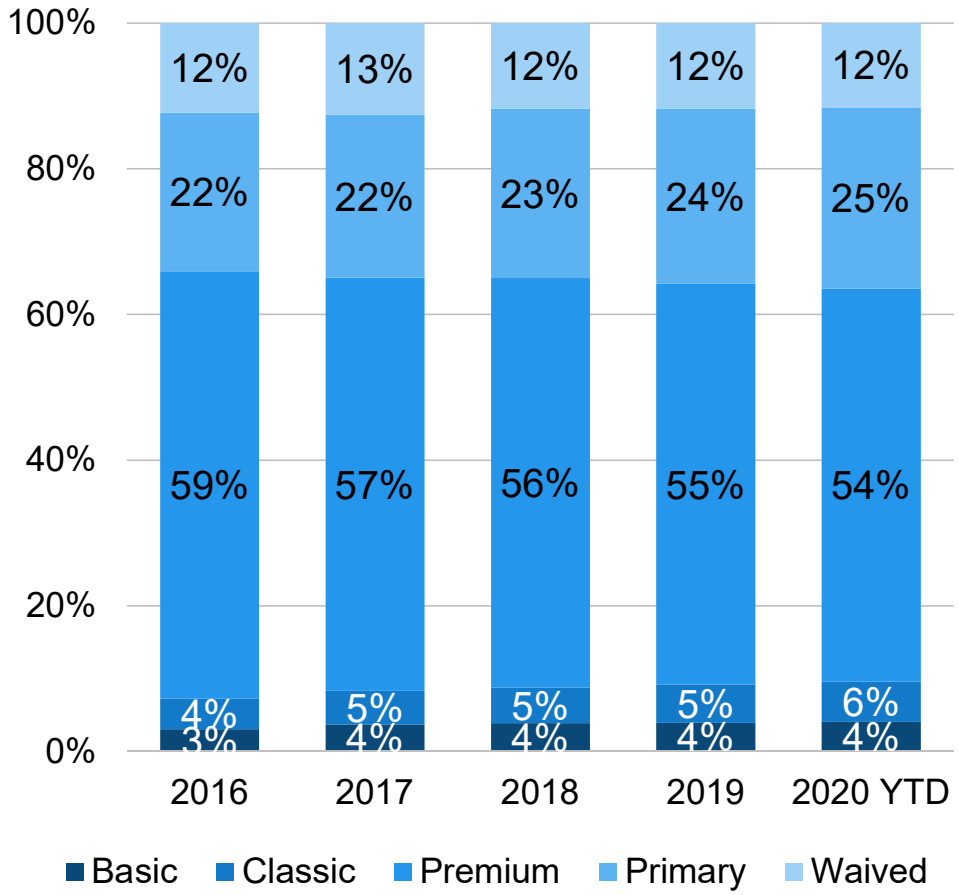




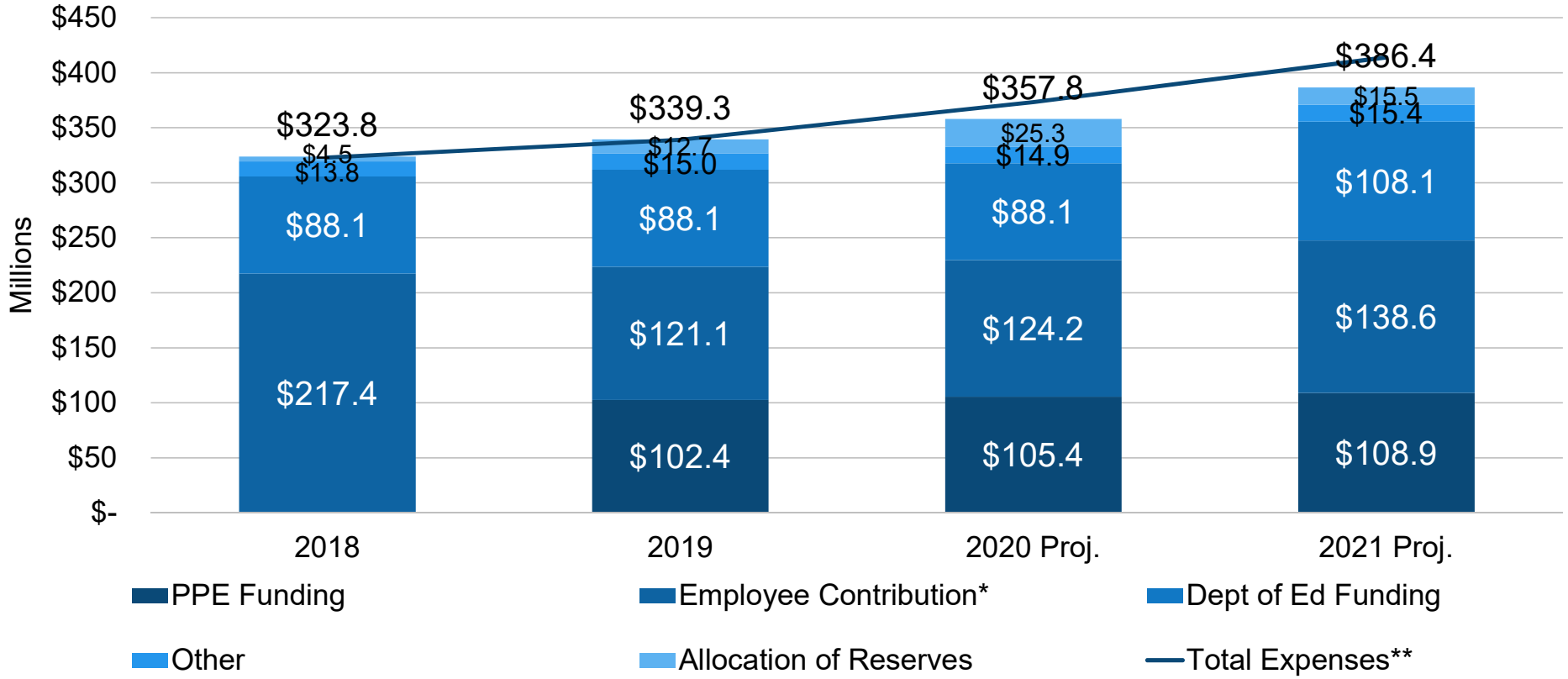
Milliman

ASE - Average Enrollment (Subscribers) by Plan





PSE - Income vs. Expenditure

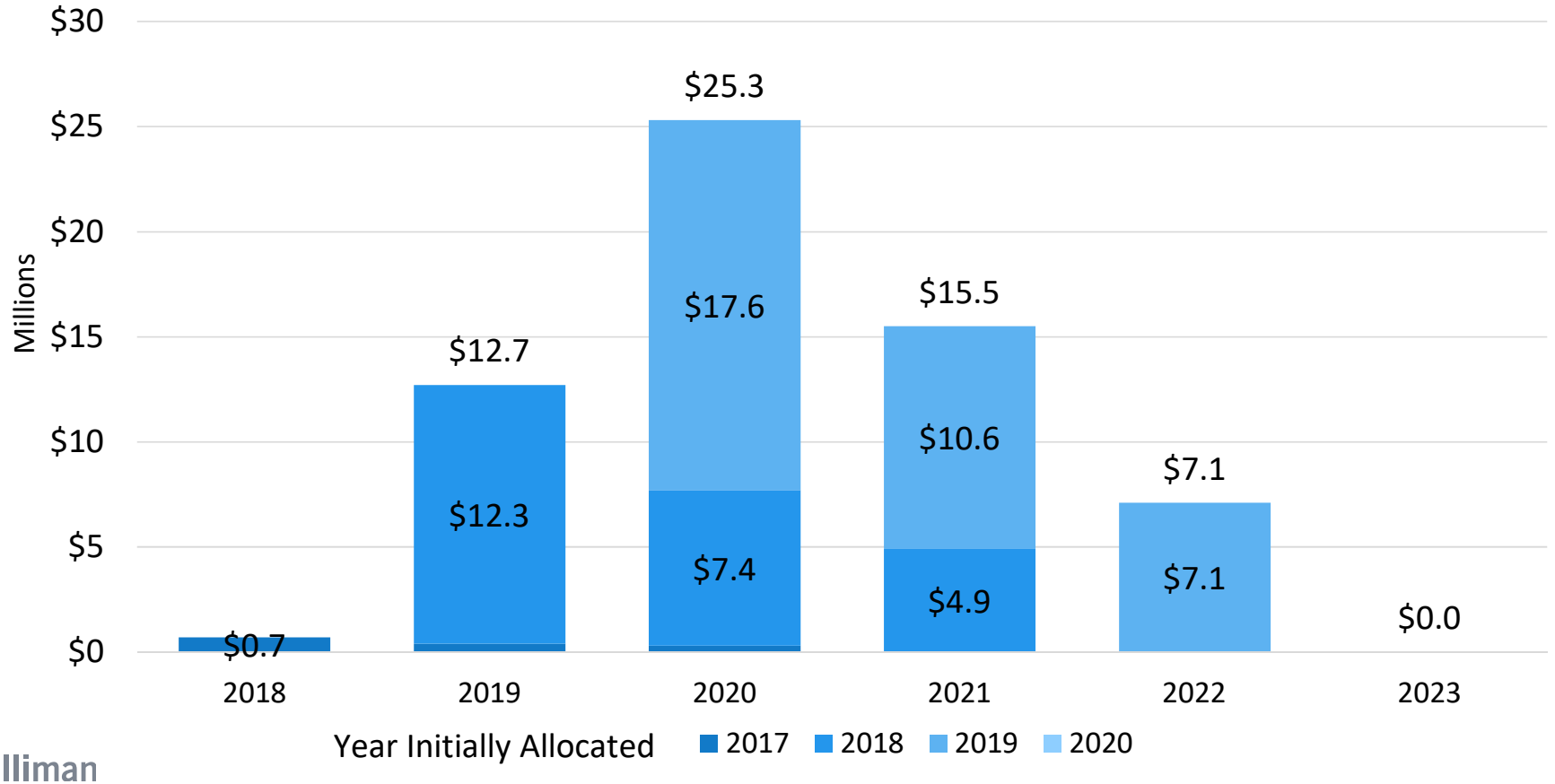


* 2018 Employee Contribution includes PPE Funding

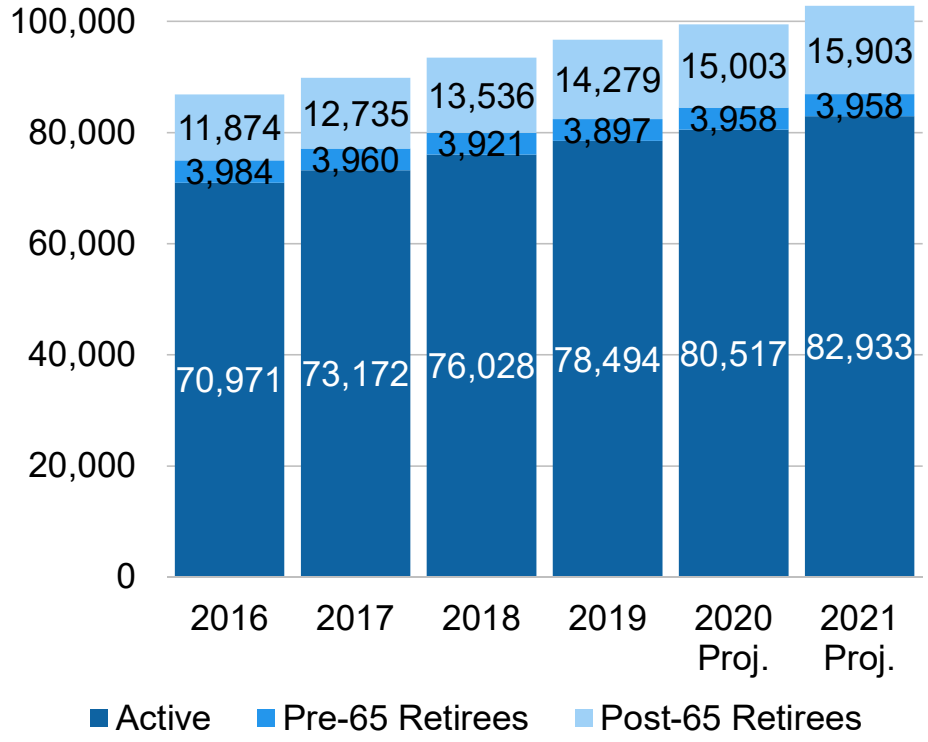
** Total Expenses offset by Program Savings

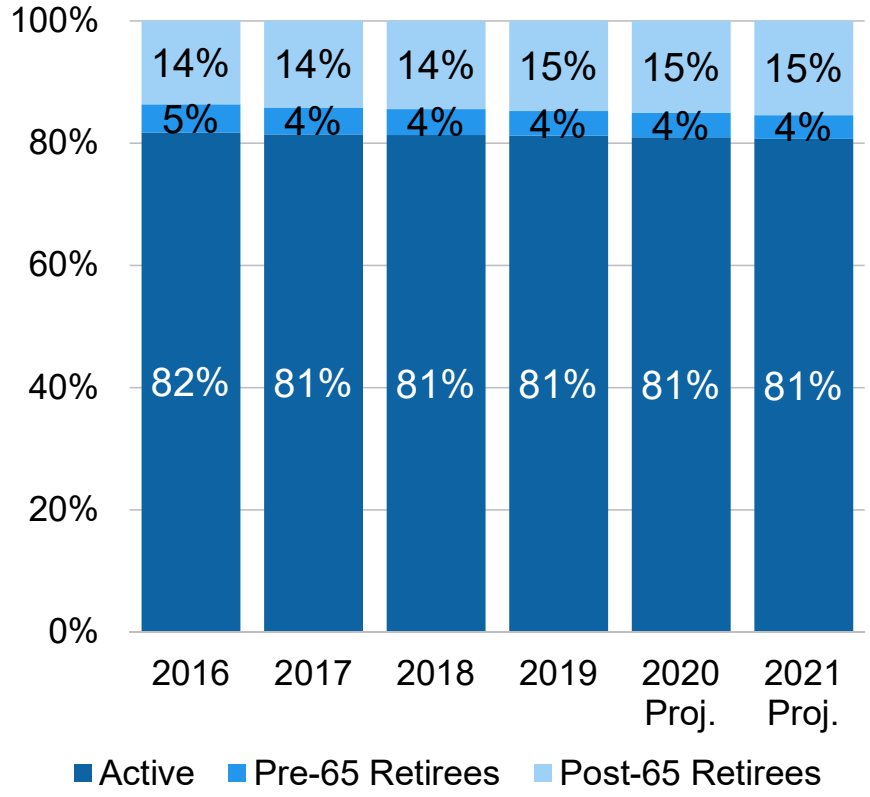
PSE - Reserves Allocation by Year

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

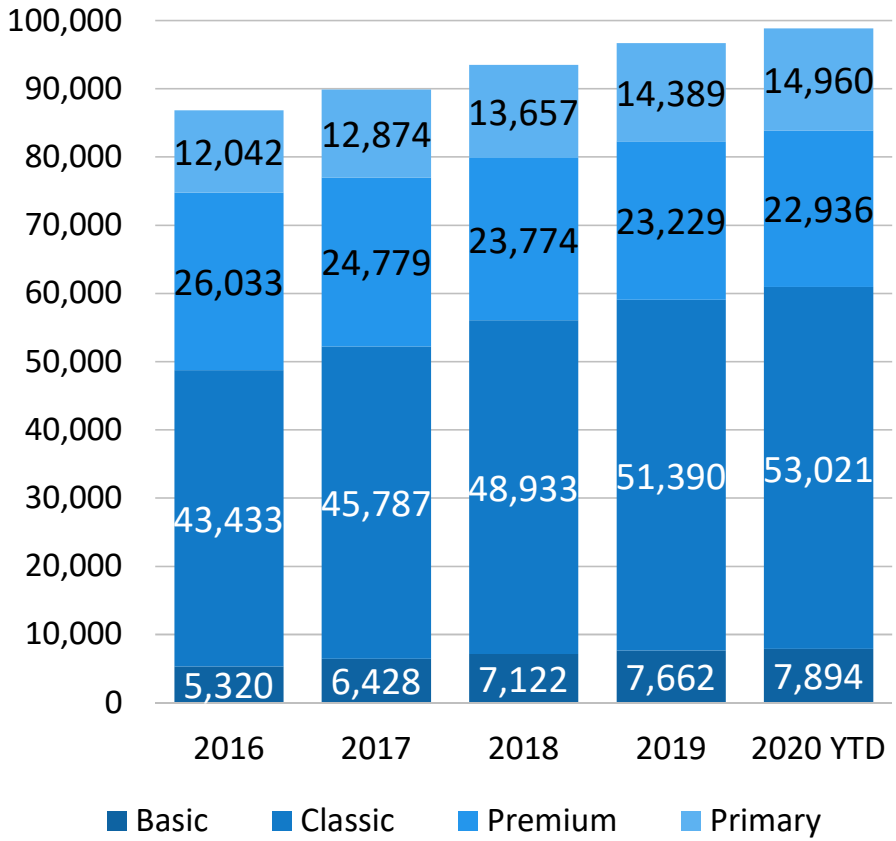


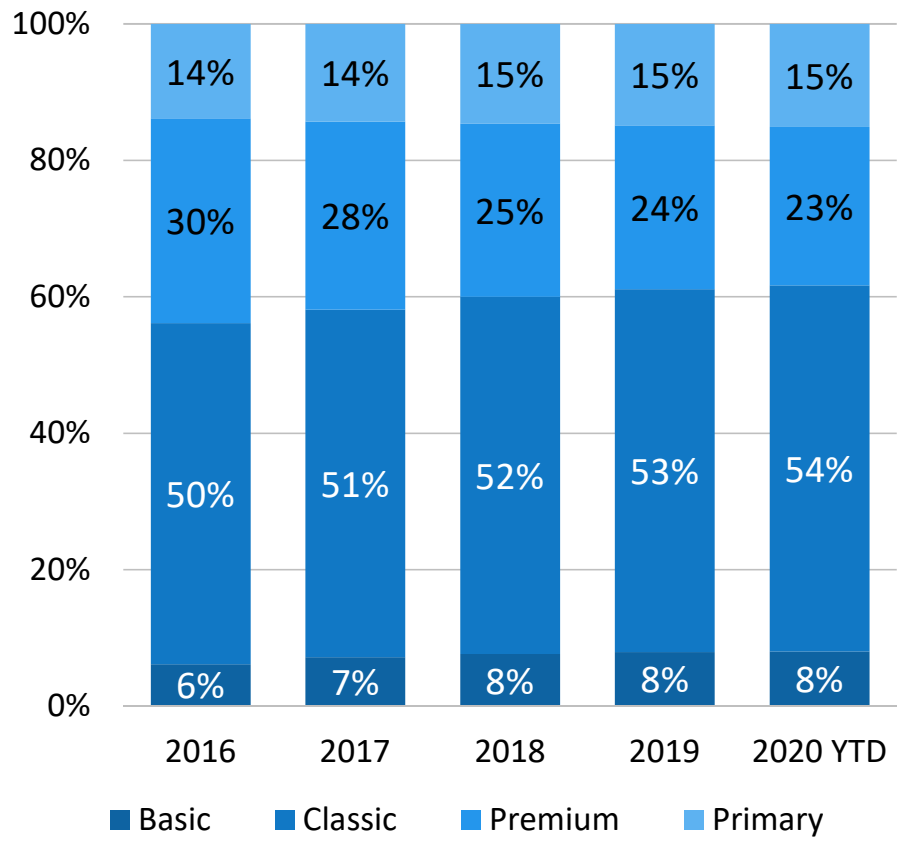
PSE - Average Membership by Status



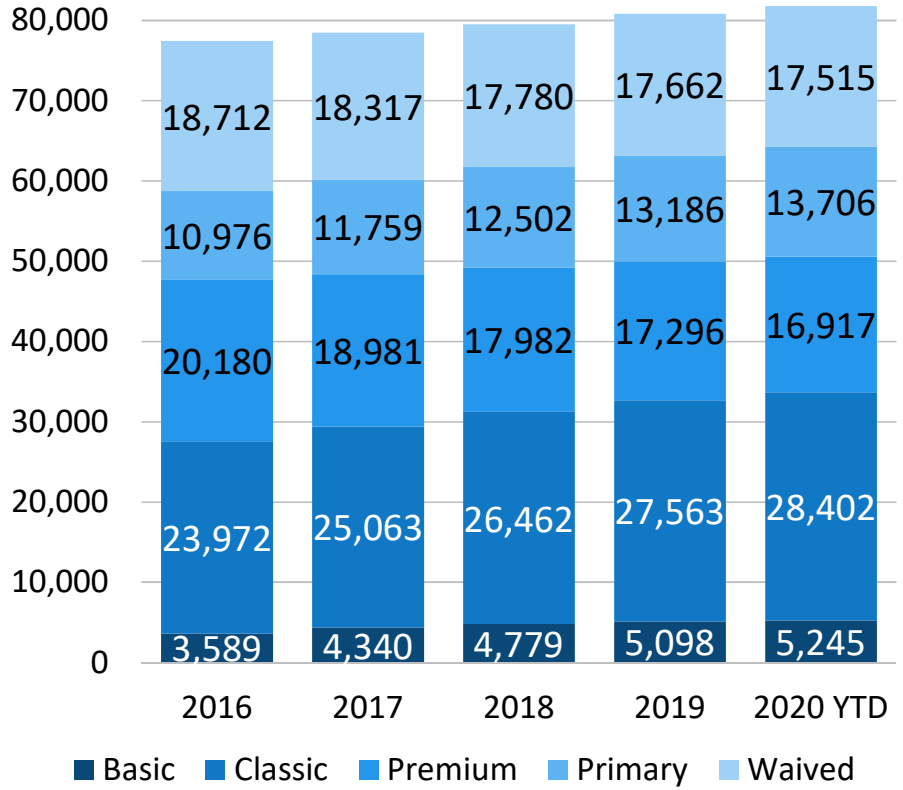


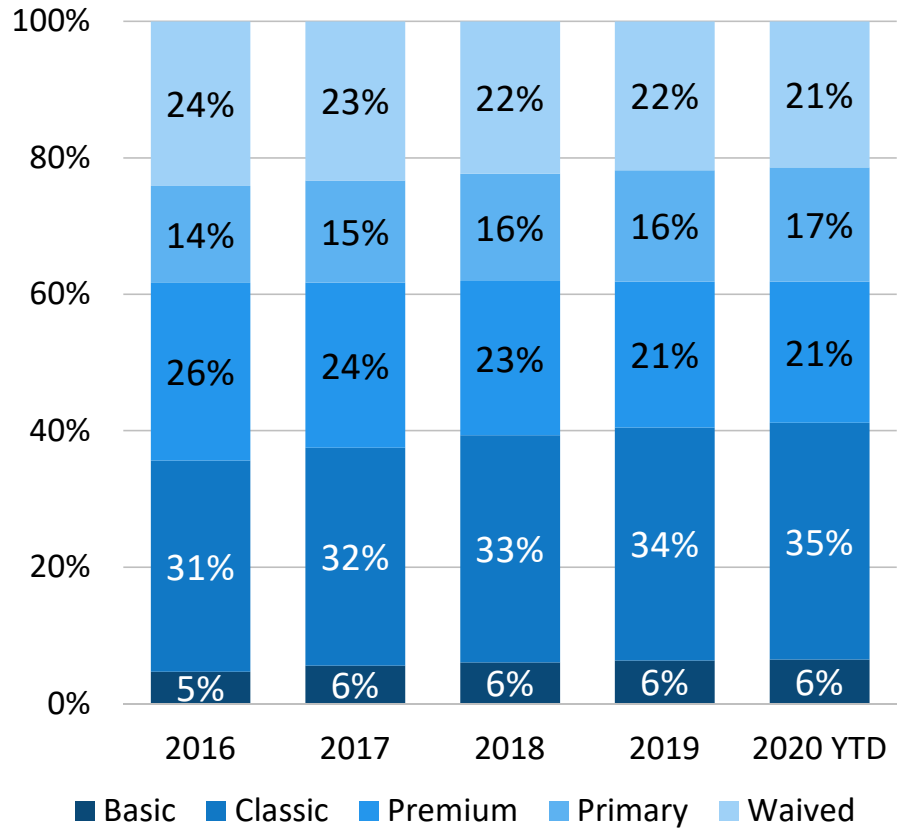
PSE - Average Membership by Plan





PSE - Average Enrollment (Subscribers) by Plan





Assumptions & Methodology

Assumptions - Trend

Division	Group	Medical Trend	Pharmacy Trend
ASE	Active/Pre-65 Retirees Post-65 Retirees	5.0% 5.0%	8.0% 8.0%
PSE	Active/Pre-65 Retirees Post-65 Retirees	7.0% 7.0%	8.0% 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 March 2019 through July 2020
  - Projected August – 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 ($2.14 PMPM for CY2021)
- Plan Administration Fees include PCORI charges for 2020 and 2021
- Percentage of Population earning wellness incentive
  - ASE – 82%
  - PSE – 82%

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 August 31, 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 for July 2020 to December 2020 based on the PMPM from the midpoint of the experience period (September 1, 2019) to the midpoint of the projection period (October 1, 2020). Utilize actual claims for January 2020 to June 2020 with completion.
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.

Milliman

Thank you

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