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

September 13, 2019
10:00 a.m.

EBD Board Room – 501 Building, Suite 500

I. Call to Order .......................................................... Susan Gardner, Chair
II. Approval of August Minutes...................................... Susan Gardner, Chair
III. Diabetic Population Update.................. Elizabeth Montgomery & Mike Motley, ACHI
IV. Plan Update ....................... Scott Cohen, Paul Sakhrani, & Courtney White, Milliman
V. Director’s Report......................................................... Chris Howlett, EBD Director
VI. Adjournment.............................................................. Susan Gardner, Chair

2019 upcoming meetings:

October 18th, 2019, November 15th, 2019, December 13th, 2019

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 13, 2019, at 10:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Date | time 9/13/2019 10:00 AM | Meeting called to order by Susan Gardner, Chair

In Attendance

Members Present
Claudia Moran
Stephanie Lilly-Palmer
Carla Haugen – proxy – Cayce Raney
Susan Gardner – Chair
Chris Howlett, Employee Benefits Division (EBD) Director

Members Absent
Cindy Allen
Ronnie Kissire – Vice-chair
Herb Scott

Others Present
Rhoda Classen, Shalada Toles, Sharon Parker, Donald Alexander, Shar Webb, EBD; Ronda Walthall, ARDOT; Elizabeth Montgomery, ACHI; Sylvia Landers, Securian; Stephen Carroll, AllCare Specialty; Suzanne Woodall, MedImpact; Donna Morey, ARTA; John Colberg, Cheiron; Nicholas Poole, ASEA;

Approval of Minutes by: Claudia Moran, Chair

MOTION by Lilly-Palmer:

Move to approve the August 16, 2019 minutes.

Moran seconded; all were in favor.

Minutes Approved.

Diabetic Population Update by: Elizabeth Montgomery, ACHI

Montgomery addressed follow-up questions and analyses from the previous Quality of Care meeting.

Discussion:
Moran: In 2018, the first year we did Catapult, if Catapult did the screening, does this show up as a PCP visit?

Montgomery: I don’t think that would have been picked up. This is a claims analysis, so my understanding is that the Catapult wellness visit is a billable claim that shows up. I know there might be a difference in the coding because this is looking at A1c measurement versus a one-time blood glucose measurement which I think is what is happening at the Catapult visit. I’m not sure that that is what is impacting this particular measure.

Lilly-Palmer: At the Board meeting, didn’t we discuss possibly adding the A1c to the Catapult?
Howlett: Actually, they do pull that. The difference is that the visit itself for Catapult and what it encompasses is the billable code not the breakout. The distinct difference is what is billed on a claim and the metrics. However, you will find that we have worked with Catapult, Naturally Slim, and a lot of that data and cross walk that with our medical management vendor from an integrative standpoint and some of this data will be in that as well. This has a carve out if it was Catapult specific, it would not be included in here. However, if someone went to Catapult and then went and had the same analysis done at their physician for another reason or duplicated that, it would be in this analysis.

Plan Update by: Scott Cohen, Paul Sakhrani, & Courtney White, Milliman

Cohen, Sakhrani, and White provided a brief introduction about Milliman and plan experience for ASE and PSE.

ASE

- 2019 plan experience
  - Estimated surplus of $15.1M
  - Estimated unallocated net assets at the end of 2019 is $9.5M
- 2020 plan experience
  - No plan changes
  - 5% increase in employee contributions
  - Estimated surplus of $11.7M
  - Estimated unallocated net assets at the end of 2020 is $21.2M
  - Allocated reserves for 2020 is 25.1M

PSE

- 2019 plan experience
  - Estimated surplus of $3.4M
  - Estimated unallocated net assets at the end of 2019 is $17.0M
- 2020 plan experience
  - No plan changes
  - No change in employee contributions
  - Estimated deficit of $1.0M
  - Estimated unallocated net assets at the end of 2020 is $16.0M
  - Allocated reserves for 2020 is 25.3M
  - Figures do not include newly eligible bus drivers

Director's Report: Chris Howlett, EBD Director

Howlett provided an update on the analytics in regard to the wellness credit year over year as well as the PCP forms.
2020 discount thus far: 2019, at this point:
50% Completed 45% With Discount
50% Without Completion 55% Without Discount

For Catapult visits, we are just shy of 37,500, checkups and the PCP forms are at 10,310.

Discussion:
Moran: If you go to Catapult and they say you need to do a follow-up with your PCP, then that is not covered as a wellness visit?

Howlett: The Catapult completes the components for the worksite well check to meet the perimeters for the discount. It does not necessarily replace it. I can’t tell you how the doctors will code that. We have a specific code for Catapult, they have a coding and lipid panels that they run that would be equal to the ones at their physician’s office. The problem that we run into is when you find you have some ancillary charges to that same lipid panel because they ran additional things.

Moran: I have had several people come to me about this. They went to Catapult and were told to check with their PCP. When they went to their PCP, they wanted to do their own lab work instead of the Catapult lab work. They ended up having all of these costs. I just don’t want it to be prohibitive if you need to go to your PCP to get your script.

Lilly-Palmer: One of the things we always reiterate in our agency to employees is that any time they go to the doctor on that plan design, it clearly states what their copay is and where it would be zero. It also has that one disclaimer, that you can direct them to for the benefit summary description, where it says other services that involves that 20%.

Howlett: A medication refill is not the goal of Catapult, it is the doctors. That is a separate piece to a well check. Catapult does not diagnose or assessing certain things regarding a wellness to send you to get the same thing they are checking. They would say that some of the information seen presents an additional thing that you need to get checked out. It almost switches to a diagnostic instead of a preventative.

Gardner: We are still monitoring negative and positive feedback from Catapult?

Howlett: We are, they are sending almost monthly summaries.

Gardner: Do we have the percentage of people who are using Catapult versus PCP forms?

Howlett: Of the 50,000, 37,500 have used Catapult and 10,300 have used PCPs. With the cotinine testing and everything, we are looking around $160-$170 in cost with Catapult. The average PCP visit costs $260 and closer to $300 when they get done with some coding. Last year, we were projected to save between $9M to $10M and we saved $8.8M, relative to using the Catapult visit versus the brick and mortar.
**MOTION** by Lilly-Palmer:

Move to adjourn the meeting.

Moran seconded. All in favor.

**Meeting adjourned.**
AGENDA

- Address follow-up questions and analyses from previous Quality of Care meeting
TYPE 2 DIABETES COSTS FOLLOW-UPS

- What is the distribution of type 2 diabetes costs (for those with and without complications), inclusive of member cost share?
- What are some of the most common complications for members with Type 2 diabetes?
## TYPE 2 DIABETES: EBD POPULATION PROFILE (2018)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Members</th>
<th>Median Cost</th>
<th>EBD Paid Amount (Medical &amp; Pharmacy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members with type 2 diabetes (without complications)</td>
<td>7,184</td>
<td>$1,402</td>
<td>$38,853,910</td>
</tr>
<tr>
<td>Members with type 2 diabetes (with complications)</td>
<td>8,604</td>
<td>$3,400</td>
<td>$83,204,558</td>
</tr>
<tr>
<td>Other EBD members</td>
<td>139,256</td>
<td>$585</td>
<td>$436,438,756</td>
</tr>
</tbody>
</table>
### TYPE 2 DIABETES: COST DISTRIBUTION BY AGES 18-64 (2018)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Members</th>
<th>Average Cost</th>
<th>Median Cost</th>
<th>Total Claims Cost for Group*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members with type 2 diabetes (without complications)</td>
<td>4,376</td>
<td>$8,016</td>
<td>$2,845</td>
<td>$35,077,320</td>
</tr>
<tr>
<td>Members with type 2 diabetes (with complications)</td>
<td>5,234</td>
<td>$13,705</td>
<td>$5,785</td>
<td>$71,730,379</td>
</tr>
<tr>
<td>Other EBD members</td>
<td>118,028</td>
<td>$4,118</td>
<td>$1,165</td>
<td>$486,073,339</td>
</tr>
</tbody>
</table>

*Note—This cost distribution includes EBD paid amount (for both medical and pharmacy) along with patient cost component reflected in medical and pharmacy claims.
## Type 2 Diabetes: Cost Distribution by Ages 65+ (2018)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Members</th>
<th>Average Cost</th>
<th>Median Cost</th>
<th>Total Claims Cost for Group*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members with type 2 diabetes (without</td>
<td>2,809</td>
<td>$4,593</td>
<td>$1,765</td>
<td>$12,901,640</td>
</tr>
<tr>
<td>complications)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members with type 2 diabetes (with</td>
<td>3,370</td>
<td>$7,756</td>
<td>$3,431</td>
<td>$26,136,501</td>
</tr>
<tr>
<td>complications)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other EBD members</td>
<td>21,255</td>
<td>$3,796</td>
<td>$1,295</td>
<td>$80,674,131</td>
</tr>
</tbody>
</table>

*Note—This cost distribution includes EBD paid amount (for both medical and pharmacy) along with patient cost component reflected in medical and pharmacy claims.
COMMON COMPLICATIONS OF MEMBERS WITH TYPE 2 DIABETES

- Neuropathy
- Retinopathy
- Coronary heart disease
- Kidney disease
- Foot ulcers
- Amputations
HEDIS MEASURES FOLLOW-UPs

- What proportion of members with type 2 diabetes received all three measures (HbA1c screening, eye exam, and statin therapy) in 2018?

- Of EBD members with type 2 diabetes who did not receive any of the three measures in 2018, what percentage saw a PCP during the year?

- What is the level of provider volume in primary care visits for members who did not receive any of the three measures?
HBA1C SCREENING: EBD RATES AND HEDIS BENCHMARKS (2016–18)

- 2016: 74.4%
- 2017: 75.6%
- 2018: 76.5%

EBD Rate: 89.3%, 89.8%, 89.8%
HEDIS Commercial: 89.8%
EYE EXAM: EBD RATES AND HEDIS BENCHMARKS (2016-18)

EBD Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>EBD Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>44.4%</td>
</tr>
<tr>
<td>2017</td>
<td>44.8%</td>
</tr>
<tr>
<td>2018</td>
<td>44.0%</td>
</tr>
</tbody>
</table>

HEDIS Commercial

- 2016: 47.5%
- 2017: 49.0%
- 2018: 49.0%
STATIN THERAPY: EBD RATES AND HEDIS BENCHMARKS (2016-18)
MEMBERS WITH TYPE 2 DIABETES: RECEIVING HBA1C SCREENING & EYE EXAM (2016–18)

<table>
<thead>
<tr>
<th>Year</th>
<th>Numerator</th>
<th>Denominator</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3,093</td>
<td>9,936</td>
<td>31%</td>
</tr>
<tr>
<td>2017</td>
<td>3,714</td>
<td>11,510</td>
<td>32%</td>
</tr>
<tr>
<td>2018</td>
<td>4,160</td>
<td>12,900</td>
<td>32%</td>
</tr>
</tbody>
</table>
MEMBERS WITH TYPE 2 DIABETES: RECEIVING HBA1C SCREENING, EYE EXAM, & STATIN THERAPY (2016−18)

<table>
<thead>
<tr>
<th>Year</th>
<th>Numerator</th>
<th>Denominator</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>767</td>
<td>5,396</td>
<td>14%</td>
</tr>
<tr>
<td>2017</td>
<td>1,009</td>
<td>6,451</td>
<td>16%</td>
</tr>
<tr>
<td>2018</td>
<td>1,260</td>
<td>7,542</td>
<td>17%</td>
</tr>
</tbody>
</table>
MEMBERS WITH TYPE 2 DIABETES: DID NOT RECEIVE HBA1C SCREENING, EYE EXAM, OR STATIN THERAPY BUT HAD A PRIMARY CARE VISIT (2018)

<table>
<thead>
<tr>
<th>HEDIS Measure</th>
<th>Numerator</th>
<th>Denominator</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>HbA1c screening</td>
<td>2,847</td>
<td>3,034</td>
<td>94%</td>
</tr>
<tr>
<td>Eye exam</td>
<td>7,011</td>
<td>7,221</td>
<td>97%</td>
</tr>
<tr>
<td>Statin therapy</td>
<td>3,770</td>
<td>3,895</td>
<td>97%</td>
</tr>
<tr>
<td>Provider</td>
<td>Unique Members with a Primary Care Visit*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider A</td>
<td>48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider B</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider C</td>
<td>37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider D</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider E</td>
<td>34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider F</td>
<td>27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider G</td>
<td>26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider H</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider I</td>
<td>24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provider J</td>
<td>23</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Out of 2,847 total members

*Note—Provider variation slides represent members with type 2 diabetes who saw their primary care physician (PCP) at some point during 2018 but did not receive an HbA1c screening.
## PROVIDER VOLUME: MEMBERS WITH A PCP VISIT WHO DID NOT RECEIVE AN EYE EXAM (2018)

<table>
<thead>
<tr>
<th>Provider</th>
<th>Unique Members with a Primary Care Visit*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provider A</td>
<td>410</td>
</tr>
<tr>
<td>Provider B</td>
<td>258</td>
</tr>
<tr>
<td>Provider C</td>
<td>231</td>
</tr>
<tr>
<td>Provider D</td>
<td>226</td>
</tr>
<tr>
<td>Provider E</td>
<td>221</td>
</tr>
<tr>
<td>Provider F</td>
<td>217</td>
</tr>
<tr>
<td>Provider G</td>
<td>202</td>
</tr>
<tr>
<td>Provider H</td>
<td>183</td>
</tr>
<tr>
<td>Provider I</td>
<td>183</td>
</tr>
<tr>
<td>Provider J</td>
<td>155</td>
</tr>
</tbody>
</table>

*Note—Provider variation slides represent members with type 2 diabetes who saw their primary care physician (PCP) at some point during 2018 but did not receive an eye exam.

*Out of 7,011 total members
**PROVIDER VOLUME: MEMBERS WITH A PCP VISIT WHO DID NOT RECEIVE STATIN THERAPY (2018)**

<table>
<thead>
<tr>
<th>Provider</th>
<th>Unique Members with a Primary Care Visit*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provider A</td>
<td>157</td>
</tr>
<tr>
<td>Provider B</td>
<td>119</td>
</tr>
<tr>
<td>Provider C</td>
<td>115</td>
</tr>
<tr>
<td>Provider D</td>
<td>112</td>
</tr>
<tr>
<td>Provider E</td>
<td>99</td>
</tr>
<tr>
<td>Provider F</td>
<td>90</td>
</tr>
<tr>
<td>Provider G</td>
<td>84</td>
</tr>
<tr>
<td>Provider H</td>
<td>78</td>
</tr>
<tr>
<td>Provider I</td>
<td>77</td>
</tr>
<tr>
<td>Provider J</td>
<td>68</td>
</tr>
</tbody>
</table>

*Out of 3,770 total members

*Note—Provider variation slides represent members with type 2 diabetes who saw their primary care physician (PCP) at some point during 2018 but did not receive statin therapy.*
RECOMMENDATIONS

- Provider engagement opportunities
- Member education opportunities
- Further leveraging existing diabetes management program
Agenda

- About Milliman
- Arkansas State Employees (ASE)
  - Plan Experience
- Public School Employees (PSE)
  - Plan Experience
- Appendices
  A. Plan summary
  B. Assumptions / methodology
  C. Limitations & caveats
About Milliman

Consulting and outsourcing firm

- Actuarial and consulting offices in 60 principal cities worldwide
- **3,500** employees, including over 1,400 credentialed consultants and actuaries
- **9,000** clients in the private and public sectors
- Primary practice areas:
  - Employee benefits in a total rewards context
  - Health consulting services
  - Life and financial consulting services
  - Property and casualty consulting services
- **Privately owned** and managed by our principals – ensures autonomy
- Independence provides professional freedom, impartiality and long-term perspective
- Providing consulting services for more than **70 years**
- 2018 revenue exceeded $1 billion
- Global expertise combined with the service structure of a boutique provider
Milliman Mission Statement

Our mission is to help our clients protect the health and financial well-being of people everywhere.
Milliman Value Statement

Quality
- Milliman’s advice, products and client service adhere to the highest standards of quality.

Integrity
- Milliman’s people demonstrate integrity in all that we do. We are committed to honesty and professionalism in our interaction with our clients and fellow employees, including independent advice free of conflicts.

Opportunity
- Milliman is committed to providing our people opportunities to achieve their full potential, including opportunities to:
  - Shape their own careers
  - Assist in developing the strategy of their practice
  - Pursue innovations to further Milliman’s mission in the marketplace
Milliman Team

Courtney White
Principal and Consulting Actuary

Paul Sakhrani
Consulting Actuary

Scott Cohen
Healthcare Analytics Consultant
Milliman Team

- Chi Yeung – Associate Actuary
- Greg Collins – Associate Actuary
- Julia Weber – Actuarial Analyst
- Phil Ellenberg – Healthcare Data Analyst
- Sebastian Jaramillo – Consulting Actuary
- Walter Nesbit – Healthcare Analyst
Arkansas State Employees (ASE)
Executive Summary

- 2019 plan experience
  - Estimated surplus of $15.1M
  - Estimated unallocated net assets at the end of 2019 is $9.5M
- 2020 plan experience
  - No plan changes
  - 5% increase in employee contributions
  - Estimated surplus of $11.7M
  - Estimated unallocated net assets at the end of 2020 is $21.2M
  - Allocated reserves for 2020 is $25.1M
## Total Plan Experience

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State Contribution</td>
<td>$ 174.70</td>
<td>$ 87.45</td>
<td>$ 174.68</td>
<td>$ 174.88</td>
</tr>
<tr>
<td>Employee Contribution</td>
<td>96.70</td>
<td>48.96</td>
<td>97.59</td>
<td>102.46</td>
</tr>
<tr>
<td>Other</td>
<td>19.70</td>
<td>14.11</td>
<td>22.76</td>
<td>22.46</td>
</tr>
<tr>
<td>Allocation of Reserves</td>
<td>18.00</td>
<td>10.85</td>
<td>21.70</td>
<td>25.10</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$ 309.10</td>
<td>$ 161.38</td>
<td>$ 316.73</td>
<td>$ 324.90</td>
</tr>
<tr>
<td>Medical Incurred Claims</td>
<td>(201.40)</td>
<td>(91.76)</td>
<td>(197.72)</td>
<td>(209.29)</td>
</tr>
<tr>
<td>Pharmacy Incurred Claims</td>
<td>(81.90)</td>
<td>(43.53)</td>
<td>(89.17)</td>
<td>(94.82)</td>
</tr>
<tr>
<td>Administration Fees¹</td>
<td>(22.70)</td>
<td>(9.02)</td>
<td>(17.99)</td>
<td>(17.46)</td>
</tr>
<tr>
<td>Plan Administration</td>
<td>N/A</td>
<td>0.73</td>
<td>2.00</td>
<td>2.24</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>(306.00)</td>
<td>(145.04)</td>
<td>(306.87)</td>
<td>(323.81)</td>
</tr>
<tr>
<td>Program Savings (PBM)</td>
<td>-</td>
<td>-</td>
<td>5.29</td>
<td>10.57</td>
</tr>
<tr>
<td><strong>Net Income / (Loss)</strong></td>
<td>$ 3.10</td>
<td>$ 16.34</td>
<td>$ 15.14</td>
<td>$ 11.66</td>
</tr>
</tbody>
</table>

### Average Membership

<table>
<thead>
<tr>
<th></th>
<th>Active Employees / Pre-65 Retirees</th>
<th>Post-65 Retirees</th>
<th>Total Enrolled</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>48,090</td>
<td>12,914</td>
<td>61,005</td>
</tr>
<tr>
<td></td>
<td>48,073</td>
<td>13,220</td>
<td>61,293</td>
</tr>
<tr>
<td></td>
<td>47,728</td>
<td>13,360</td>
<td>61,088</td>
</tr>
</tbody>
</table>

|                      | 47,728                            | 13,360           | 61,088         |

<table>
<thead>
<tr>
<th></th>
<th><strong>Total Enrolled</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>61,005</td>
<td>61,293</td>
<td>61,088</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total Income PMPM</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 422.24</td>
<td>$ 438.82</td>
<td>$ 439.27</td>
</tr>
<tr>
<td></td>
<td><strong>Total Expenses PMPM</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ (418.00)</td>
<td>$ (394.40)</td>
<td>$ (418.62)</td>
</tr>
</tbody>
</table>

¹ 2018 Administration Fees included Plan Administration
Reserves Allocation by Year
The chart represents the reserves amounts allocated each year (in millions), and how much reserves are available each year.
End of Year Assets

- **2018**: $9.3M (IBNR), $30.6M (Contribution Allocations), $37.0M (Allocated Catastrophic Reserve), $27.1M (Unallocated Assets)
- **Proj 2019**: $9.5M (IBNR), $16.0M (Contribution Allocations), $30.4M (Allocated Catastrophic Reserve), $15.3M (Allocation for 2020-2022), $26.2M (Unallocated Assets)
- **Proj 2020**: $21.2M (IBNR), $16.0M (Contribution Allocations), $16.0M (Allocated Catastrophic Reserve), $15.2M (Allocation for 2020-2022), $26.2M (Unallocated Assets)
Average Membership by Status

Average Membership by Status

Average Membership by Plan

Milliman
Average Enrollment (Subscribers) by Plan

- **2016**:
  - Basic: 1,817
  - Classic: 1,314
  - Premium: 25,322
  - Primary: 9,400
  - Waived: 5,319

- **2017**:
  - Basic: 2,022
  - Classic: 1,610
  - Premium: 24,797
  - Primary: 9,786
  - Waived: 5,498

- **2018**:
  - Basic: 2,148
  - Classic: 1,698
  - Premium: 24,656
  - Primary: 10,180
  - Waived: 5,173

- **2019 YTD**:
  - Basic: 2,279
  - Classic: 1,722
  - Premium: 24,343
  - Primary: 10,489
  - Waived: 5,137
Executive Summary

- 2019 plan experience
  - Estimated surplus of $3.4M
  - Estimated unallocated net assets at the end of 2019 is $17.0M

- 2020 plan experience
  - No plan changes
  - No change in employee contributions
  - Estimated deficit of $1.0M
  - Estimated unallocated net assets at the end of 2020 is $16.0M
  - Allocated reserves for 2020 is $25.3M

- Figures do not include newly eligible bus drivers
## Total Plan Experience

### Funding (in Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PPE Funding</td>
<td>N/A</td>
<td>$51.53</td>
<td>$102.12</td>
<td>$101.06</td>
</tr>
<tr>
<td>Employee Contribution¹</td>
<td>217.40</td>
<td>60.52</td>
<td>121.69</td>
<td>122.17</td>
</tr>
<tr>
<td>Dept of Ed Funding</td>
<td>88.10</td>
<td>53.10</td>
<td>88.10</td>
<td>88.10</td>
</tr>
<tr>
<td>Other</td>
<td>13.80</td>
<td>8.23</td>
<td>15.82</td>
<td>15.79</td>
</tr>
<tr>
<td>Allocation of Reserves</td>
<td>4.50</td>
<td>6.33</td>
<td>12.66</td>
<td>25.22</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$323.80</td>
<td>$179.70</td>
<td>$340.38</td>
<td>$352.35</td>
</tr>
<tr>
<td>Medical Incurred Claims</td>
<td>$(235.20)</td>
<td>$(106.95)</td>
<td>$(248.47)</td>
<td>$(265.47)</td>
</tr>
<tr>
<td>Pharmacy Incurred Claims</td>
<td>$(56.80)</td>
<td>$(28.78)</td>
<td>$(62.67)</td>
<td>$(66.61)</td>
</tr>
<tr>
<td>Administration Fees²</td>
<td>$(30.90)</td>
<td>$(14.00)</td>
<td>$(28.04)</td>
<td>$(27.18)</td>
</tr>
<tr>
<td>Plan Administration</td>
<td>N/A</td>
<td>$(0.60)</td>
<td>$(1.52)</td>
<td>$(1.54)</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$(322.90)</td>
<td>$(150.32)</td>
<td>$(340.70)</td>
<td>$(360.79)</td>
</tr>
<tr>
<td>Program Savings (PBM)</td>
<td>$-</td>
<td>-</td>
<td>$3.71</td>
<td>$7.43</td>
</tr>
<tr>
<td><strong>Net Income / (Loss)</strong></td>
<td>$0.90</td>
<td>$29.38</td>
<td>$3.40</td>
<td>$(1.02)</td>
</tr>
</tbody>
</table>

### Average Membership

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employees / Pre-65 Retirees</td>
<td>79,948</td>
<td>82,330</td>
<td>82,210</td>
<td>82,210</td>
</tr>
<tr>
<td>Post-65 Retirees</td>
<td>13,536</td>
<td>14,043</td>
<td>14,291</td>
<td>14,291</td>
</tr>
<tr>
<td><strong>Total Enrolled</strong></td>
<td>93,484</td>
<td>96,372</td>
<td>96,501</td>
<td>96,501</td>
</tr>
</tbody>
</table>

### Total Income PMPM

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Income</strong></td>
<td>$288.64</td>
<td>$310.78</td>
<td>$297.14</td>
<td>$310.68</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$(287.84)</td>
<td>$(259.96)</td>
<td>$(294.21)</td>
<td>$(311.56)</td>
</tr>
</tbody>
</table>

¹ 2018 Employee Contribution included PPE Funding and Allocation from Department of Education

² 2018 Administration Fees included Plan Administration
Reserves Allocation by Year

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

*2018 Employee Contribution includes PPE Funding
End of Year Assets

2018
- $29.0
- $25.2
- $58.5
- $47.9

Proj 2019
- $12.5
- $35.3
- $58.5
- $17.0

Proj 2020
- $4.9
- $17.7
- $58.5
- $16.0

Legend:
- IBNR
- Contribution Allocations
- Allocation for 2020-2022
- Allocated Catastrophic Reserve
- Unallocated Assets
Membership by Status

Average Membership by Status

<table>
<thead>
<tr>
<th>Year</th>
<th>Active</th>
<th>Pre-65 Retirees</th>
<th>Post-65 Retirees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>13,536</td>
<td>3,922</td>
<td></td>
</tr>
<tr>
<td>2019 Proj.</td>
<td>14,291</td>
<td>3,890</td>
<td></td>
</tr>
<tr>
<td>2020 Proj.</td>
<td>14,291</td>
<td>3,890</td>
<td></td>
</tr>
</tbody>
</table>

Average Membership by Plan

<table>
<thead>
<tr>
<th>Year</th>
<th>Basic</th>
<th>Classic</th>
<th>Premium</th>
<th>Primary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>12,042</td>
<td>26,033</td>
<td>43,433</td>
<td>5,320</td>
</tr>
<tr>
<td>2017</td>
<td>12,874</td>
<td>24,779</td>
<td>45,787</td>
<td>6,429</td>
</tr>
<tr>
<td>2018</td>
<td>13,657</td>
<td>23,775</td>
<td>48,930</td>
<td>7,123</td>
</tr>
<tr>
<td>2019 YTD</td>
<td>14,234</td>
<td>23,255</td>
<td>50,935</td>
<td>7,507</td>
</tr>
</tbody>
</table>
Average Enrollment (Subscribers) by Plan

<table>
<thead>
<tr>
<th>Year</th>
<th>Basic</th>
<th>Classic</th>
<th>Premium</th>
<th>Primary</th>
<th>Waived</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3,589</td>
<td>10,976</td>
<td>20,180</td>
<td>23,971</td>
<td>18,701</td>
</tr>
<tr>
<td>2017</td>
<td>4,340</td>
<td>11,759</td>
<td>18,981</td>
<td>25,062</td>
<td>18,306</td>
</tr>
<tr>
<td>2018</td>
<td>4,780</td>
<td>12,502</td>
<td>17,983</td>
<td>26,461</td>
<td>17,769</td>
</tr>
<tr>
<td>2019 YTD</td>
<td>4,990</td>
<td>13,049</td>
<td>17,371</td>
<td>27,310</td>
<td>17,098</td>
</tr>
</tbody>
</table>
Appendix
## Assumptions & Methodology

### Assumptions - Trend

<table>
<thead>
<tr>
<th>Division</th>
<th>Group</th>
<th>Medical Trend</th>
<th>Pharmacy Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASE</td>
<td>Active/Pre-65 Retirees</td>
<td>5.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td></td>
<td>Post-65 Retirees</td>
<td>5.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>PSE</td>
<td>Active/Pre-65 Retirees</td>
<td>6.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td></td>
<td>Post-65 Retirees</td>
<td>5.0%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>
Assumptions & Methodology
Assumptions – Benefit Plan Changes (2018 to 2020)

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

• PSE
  • No changes for Post-65 benefit plan
  • Active and Pre-65 (2019 changes)
    • Premium
      • Deductible decrease from $1,000 to $750 (individual)
      • Out-of-Pocket Maximum (OOPM) decrease from $3,500 to $3,250 (individual)
      • Pharmacy OOPM increase from $3,100 to $3,350 (individual)
    • Classic
      • Deductible decrease from $2,000 to $1,750 (individual)
      • Medical coinsurance limit increase from $4,450 to $4,700 (individual)
    • Basic
      • Deductible decrease from $4,250 to $4,000 (individual)
      • Medical coinsurance limit increase from $2,200 to $2,450 (individual)
**Assumptions & Methodology**

**Assumptions – Other**

- **Age/Gender**
  - Age/Gender factor based on Milliman Health Cost Guidelines™
- **Enrollment Projections**
  - Actual enrollment utilized for January 2019 through July 2019
  - Projected August – December 2019 based on historical seasonality pattern
  - Projected 2020 assumed to be consistent with 2019 enrollment
- **PBM Savings**
  - $1.5 million in savings per month beginning in July 2019. Allocated between ASE / PSE based on pharmacy claims expense
- **QualChoice Run-out Administration Fees**
  - $1.6 million for 2019
- **Plan Administration Expense**
  - ASE - $2.73 PMPM for CY2019 ($3.06 PMPM for CY2020)
  - PSE - $1.31 PMPM for CY2019 ($1.33 PMPM for CY2020)
Assumptions & Methodology

Methodology

1. Summarized fee-for-service (FFS) medical and pharmacy claims incurred from July 1, 2018 to June 30, 2019 and paid from July 1, 2018 to August 31, 2019. Medical claims include withholds starting January 2019.

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 July 1, 2018 to August 31, 2019.

4. Divided the summarized incurred claims by the appropriate member months to calculate PMPMs.


6. 2020 Projected the incurred claims PMPM from the midpoint of the experience period (January 1, 2019) to the midpoint of the contract period (July 1, 2020).

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

The assumptions used in the development of the 2019 and 2020 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, 2018 and 2019 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 CY2019 and CY2020. 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, CERA, MAAA
Scott Cohen, MPH