AGENDA

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

October 18th, 2019
10:00 a.m.

EBD Board Room – 501 Building, Suite 500

I.	*Call to Order*	*Susan Gardner, Chair*
II.	*Approval of September Minutes*	*Susan Gardner, Chair*
III.	*ASE-PSE September Financials*	*Bonnie Casey, EBD Comptroller*
IV.	*Health Risk Analysis*	*Elizabeth Montgomery & Mike Motley, ACHI*
V.	*Diabetic Update*	*Krishna Rao, Eric Pohl & Dr. Pohl, Kannact*
VI.	*Plan Update*	*Scott Cohen, Paul Sakhrani, & Courtney White, Milliman*
VII.	*Director's Report*	*Chris Howlett, EBD Director*
VIII.	*Adjournment*	*Susan Gardner, Chair*

2019 upcoming meetings:

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 October 18, 2019, at 10:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

Date | *time* 10/18/2019 10:00 AM | *Meeting called to order by* Ronnie Kissire, Vice-Chair

In Attendance

Members Present

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

Members Absent

Susan Gardner – Chair

Others Present

Rhoda Classen, Shalada Toles, Sharon Parker, Bonnie Casey, EBD; Ronda Walthall, Wayne Whitley, ARDOT; Elizabeth Montgomery, ACHI; Takisha Sanders, Jessica Akins, HA; Nima Nabavi, Amgen; Greg Jones, Mainstream; Krishna Rao, Eric Pohl, Kannact; Courtney White, Paul Sakhrani, Milliman

Approval of Minutes by: Ronnie Kissire, Vice-Chair

MOTION by Scott:

Move to approve the September 13, 2019 minutes.

Lilly-Palmer seconded; all were in favor.

Minutes Approved.

Financials by: Bonnie Casey, EBD Comptroller

PSE for the month of September, we paid four (4) weeks of claims for both medical and pharmacy. The FICA savings received for the month was $536,000, and $4.8 million for the year. We had a net loss of $2.2 million for the month and a net loss of $2.1 million year-to-date. Net assets available are $23.7 million.

ASE for the month of September, we paid four (4) weeks of claims for both medical and pharmacy. We had a net gain of $1.1 million for the month and a net gain of $17.8 million year-to-date. Net assets available are $11.2 million.

The projected vs. actual claims and expenditures report shows the monthly amounts are for September 2019 and YTD amounts are for January through September 2019.

Diabetic Population Update by: Elizabeth Montgomery, ACHI

Montgomery provided an update on health risk assessment (HRA) analyses and trend comparisons: response rates, demographic breakdown, previously assessed risk factors, and additional survey questions of interest.

Discussion:

Moran: When you get back the nicotine reports, do you get that information as well? Do you know the overall percentage of smokers to compare to the self-reported data and what it shows with the nicotine test?

Montgomery: I don't have that handy, but I believe that is something that Catapult reported in their analysis from the 2018 experience. That would be interesting to look at, I think it was a pretty low number that said they weren't smoking but tested positive.

Kissire: Is the vape popping for nicotine?

Montgomery: I am not an expert on how that particular nicotine test works, but I would assume that it would. I believe it is a saliva test that is used. I would have to defer to someone with a little more clinical knowledge on that, but that would be interesting to know. We know that it is trending, especially in our youth, in a very negative direction. We have almost a quarter of high school students that have reported using e-cigarettes in the last 30 days.

Howlett: The plan has had a few conversations in and around not just vaping, but also looking at Catapult and the mechanism and what would set off or trigger a positive result. The delivery system is what I was concerned with. It posed the question with secondhand smoke being a delivery system. Secondhand smoke, unless it is done in large volumes quantities and for a long period of time, would not trigger a positive result. Clinically, the actual vaping would be registering at a volume that would be consistent with cigarette smoking, so they would be triggering the same as a smoker.

Moran: I think in general, those who go to Catapult are those who aren't taking medications, because you have to go to your PCP to get your medications. I know that is not how it always works, but you may have healthier people in the Catapult group than you do here.

Howlett: The people using Catapult would not be using their wellness visit to refill their prescriptions.

Ronnie: I know we have a pharmacy come to school to do our flu shots, does the state do that as well?

Howlett: We have different mechanisms where they will do flu shots or provide different locations. We do support that through communications. We have also partnered with the Department of Health to be able to utilize some of their particular locations to get that our to the population and even set some up here. We have also been exploring using the Catapult team as they have offered flu shots as well.

Kissire: Do you all do the pneumonia as well?

Lilly-Palmer: Our agency, when we plan our flu shot clinic, we work with Kroger and have all other vaccines available for the employees.

Plan Diabetes Update by: Krishna Rao & Eric Pohl, Kannact

Pohl, Rao, and Dr. Pohl provided a brief update on the Kannact plan.

Discussion:

Lilly-Palmer: In the process of the coaching and sending them back to their pharmacy to monitor medication, how are the coaches actually managing and monitoring these diabetics outside of just saying “hey, how’s your medicine working for you?” That would almost have to be a voluntary agreement between the diabetic employee and the coach. If the employee may not be engaging properly. I, for instance, have had an employee who has had some issues whether it be the app or the coach with communication issues. How do we assure that they are being monitored or measured correctly to get those numbers and to get them where they need to be to participate in this program? What are the measures and where is it being sent?

Pohl: We would have to look on an individual level. If there is a participant coach relationship situation where we to transition that participant to another coach. If there is an issue using the Bluetooth glucometer and they are having trouble connecting to the app, we can send them a 3G glucometer.

Lilly-Palmer: My fear is that if it is not being transmitted correctly and they are working with the coach, the coach is receiving wrong information, and therefore may be relaying wrong information by what they see. It can lead to some major issues.

Pohl: There is some variance obviously with home-testing data and the coaches should be educating them on washing hands correctly, not keeping the strips in a hot car, etc. Those kinds of things can affect the actual blood glucose data they are receiving. If they are having actual app issue, that is a different issue we can work with tech support or if it’s not something that can be fixed, we can give them the different meter.

Lilly-Palmer: How are you actually measuring and monitoring the diabetics?

Pohl: So, the blood glucose readings is one aspect, the coaches are also self-reported A1c, and for a lot of them height, weight, BMI, and weight loss is a big factor. Medication adherence is still self-reported, but are they taking them as prescribed. We see a health and cost increase for those who are taking their medication half the time versus even 75% of the time. Is it a personal issue of just taking the medication properly or is it not making them feel well or taking it at the wrong time of day? There are various factors that could improve that adherence.

Haugen: We had 6,500 in previous programs and about one-third is now with Kannact, so that is 2,200 that you are serving.

Pohl: No, that is 2,200 from previous programs, so as of September we have 3,387 participants so the rest are new participants that weren't previously in another program.

Haugen: How many active participants do you have?

Pohl: At the end of September, our active participants were 3,387.

Haugen: How do you monitor the noncompliant or inactive participants if they are not giving you readings. You say that if they are not responsive within 90 days, they come off of the program. How do you monitor that?

Pohl: The two main factors are that we can see who is submitting readings to the app and who is not, and the coaches are tracking successful engagement. We have a coach log and can see what they talked about, when they talked, and how long they talked. So, we know if people are not engaging in the program at all. In that last month, they go onto a separate list and we have our support staff make a few extra calls to make sure that they really don't want to stay in the program and then we remove them.

Haugen: Is that 90 consecutive days? What if I am one of these participants who at least check in once in three months. That is not really actively participating, I am just trying to get my supplies. What is that interaction is not consistent, how are you handling that?

Pohl: Correct. We do have a handful of those. We have been working with them to try and push them into deeper levels of the program, but they haven't don't that yet. But they are just checking in enough to stay involved. About 75%-80% of those participants are from one of those previous programs so there is some resistance. They want to get the supplies, but they are not fully ready to engage in what the Kannact program is.

Haugen: How are we, as a program, paying for those members?

Pohl: They are still getting the supplies and the same coach is still reaching out to them monthly. That is something we can work on with EBD if there is a further cutoff for those members that we all want to say at what point, if they are just doing the bare minimum, do we want to cut off to engage further and pull them out. Typically, across the board it is a small percentage. We can definitely talk about setting a different parameter to pull those members out.

Haugen: On the coach engagement, that person who might call in or just touching base once every three months to stay on the program is included in the 2,473.

Pohl: They are more so in that 914. There are about 400-500 that are also not submitting readings, so that group would be considered the minimalists, trying to do the bare minimum to stay in the program.

Haugen: They would be being billed this program charge?

Pohl: Yes, the program charge is billed across the board. Someone that is testing 6 times a day and filling for insulin supplies versus somebody who is testing a few times a week and no insulin supplies is being charged the same. The cost is averaged out across the board throughout the population.

Haugen: Is there a way to provide us those who may be only touching base once every 90 days? That is not really participating in a program and is costing the plan.

Pohl: Yes, that is tagged per member. This is aggregate data, but it is something that we can work on with EBD in terms of who those people are and setting a different parameter and let them know how will long they will have the program if you don't get more involved.

Haugen: As a member of this committee, I would want to know that immediately. How long have we been doing this now?

Howlett: Officially, this program kicked off 1/1/2019. We started transitioning those people in October of last year to the beginning of this year.

Haugen: It went live on 1/1/2019, how far back could you go to tell us somebody who has only been reporting once every three months just to get the free supplies?

Pohl: We can tell per person their history. We can go all the way back.

Haugen: If they aren't actually following the program, it is a loss to the Plan, and they are just getting free supplies for it. Those who are participating and those who are not is a big concern of mine. Can you bring us number like that? If we do let those know that who aren't participating know, and they get knocked off the program, are we letting anyone back in after that? Do they have a second chance?

Lilly-Palmer: Is that something that we could look at? Maybe a probationary status?

Haugen: If we could get that, I think the plan needs to be diligent of those who are just working the system. I think it's important we know and if we choose to continue this program or not, is the program really working?

Howlett: We can have it by the next meeting.

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

Sakhrani and White provided an update on seasonality and plan experience for ASE and PSE.

ASE

- Update projections show a reduction in net income of $5.8M in 2019 and $4.8M in 2020. Changes are driven primarily by:
    - Higher medical claim cost
    - Higher expenses
- 2019 plan experience
    - Estimated deficit of $2.4M
    - Estimated unallocated net assets at the end of 2019 is $11.2M
- 2020 plan experience
    - Allocated reserves for 2020 is $25.1M
    - Estimated surplus of $10.7M
    - Estimated unallocated net assets at the end of 2020 is $18.3M
    - No plan changes / 5% increase in employee contributions

PSE

- Update projections show a reduction in net income of $5.8M in 2019 and $4.8M in 2020. Changes are driven primarily by:
    - Higher medical claim cost

    - Higher expenses
- 2019 plan experience
    - Estimated deficit of $2.4M
    - Estimated unallocated net assets at the end of 2019 is $11.2M
- 2020 plan experience
    - Allocated reserves for 2020 is $25.2M
    - Estimated deficit of $5.8M
    - Estimated unallocated net assets at the end of 2020 is $5.5M
    - Allocated reserves for 2020 is 25.3M
    - No plan changes / 0% increase to employee contributions

Discussion:

Howlett: The plan looks to work with the Milliman team to sure up the savings, and internally, we are working with Dr. Bard and Dr. Davis from EBRx to try to assign where the savings is arriving at a point of sale on the pharmacy and how we are realizing those dollars. We want to make sure that we are capturing that appropriately and reporting it effectively. We should have that wrapped up very soon. The bus driver impact, from the bus driver bill, should be seen right after open enrollment. EBD is asking that the district or representative let us know either way and put that in an email or letter of those that are impacted. There were 3,089 possible positions available that weren't already accounted for by teachers or other school employees. We are looking at potentially 300 people.

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:
64% Completed	58% With Discount
36% Without Completion	42% Without Discount

For Catapult visits, we are at 42,753, checkups and the PCP forms are at 16,278. We anticipate very close to 50,000 for the Catapult visits this year. When it comes to savings and overall cost for the Catapult visits it costs $160 with a $20 test. We are projected to save around $9-$9.5 million. We have been getting a lot of questions on our approach on the tobacco, so we are exploring options before we roll into 2020 and 2021. If you are not familiar, ACA allows the opportunity for up to 50% of the employee's premium to be surcharged. Tobacco will be just one of the items we will be looking at.

Discussion:

Haugen: Overall, what kind of feedback are you getting from employees on Catapult?

Howlett: We have some on how to make the visits better. Catapult self-reports every single issue that is presented to them and roll those up for us. It has been a pretty positive experience for us. It has been about 85%-90% positive day in and day out.

Haugen: If there is an event all day long and all of the spaces are not all filled. Are we only billed on each one?

Howlett: Correct, we are billed as incurred. We are not billed if there is not a service performed. We had our performance and claims audit that wrapped up for 6/30/2018. It is the Legislative audit on the plan, and it went very well.

Haugen: My experience went very well. The only thing I have seen/heard from the beginning to now is some of the privacy during the visits. The set up for the testing can be sensitive to others. The barriers may not be set up the same or something. As far as nicotine testing, I know we have many teenagers on our plan that are vaping. It may present a problem, but it is something that may need to be looked at or at least asked how many young teens are not going through any kind of assessment.

Howlett: There are many complexities with that. Several legislators have already been asking those very questions. We don't typically deal with dependents above the spouse when dealing with wellness.

MOTION by Moran**:**

Move to adjourn the meeting.

Lilly-Palmer seconded. All in favor.

Meeting adjourned.

Arkansas State Employees (ASE) Financial Statement - January 1, 2019 through September 30, 2019

	ASE SUBSCRIBERS				ASE MEMBERS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
ASE Basic	1,691	51	0	1,742	2,687	74	0	**2,761**
ASE Classic	2,306	78	0	2,384	3,844	111	0	**3,955**
ASE Premium	21,809	2,006	0	23,815	37,544	2,523	0	**40,067**
SUBTOTAL	**25,806**	**2,135**	**0**	**27,941**	**44,075**	**2,708**	**0**	**46,783**
Med Primary	0	199	10,518	10,717	0	415	13,538	**13,953**
TOTAL	**25,806**	**2,334**	**10,518**	**38,658**	**44,075**	**3,123**	**13,538**	**60,736**

REVENUES & EXPENDITURES

		Current Month	Year to Date (9 Month)
	Funding		
1	State Contribution	$ 14,359,912	$ 130,527,880
2	Employee Contribution	$ 8,086,719	$ 73,268,040
3	Other	$ 1,082,722	$ 17,793,290
4	Allocation of Reserves	$ 1,808,666	$ 16,278,000
	Total Funding	$ 25,338,019	$ 237,867,209
	Expenses		
	Medical Expenses		
5	Claims Expense	$ 16,119,754	$ 139,705,823
6	Claims IBNR		$ (900,000)
7	Medical Administration Fees	$ 1,287,836	$ 12,502,983
8	Refunds	$ -	$ -
9	Employee Assistance Plan (EAP)	$ 41,710	$ 375,630
	Life Insurance	$ 77,198	$ 699,403
	Pharmacy Expenses		
10	RX Claims	$ 6,226,826	$ 64,383,401
11	RX IBNR	$ -	$ -
12	RX Administration	$ 122,133	$ 1,104,877
13	Plan Administration	$ 284,395	$ 2,129,619
	Total Expenses	$ 24,159,851	$ 220,001,735
14	**Net Income/(Loss)**	$ 1,178,167	$ 17,865,474

BALANCE SHEET

	Assets	
15	Bank Account	$ 4,686,487
16	State Treasury	$ 91,644,669
17	Due from Cafeteria Plan	$ 9,126,181
18	Due from PSE	$ -
19	Receivable from Provider	$ -
20	Accounts Receivable	$ 3,219
	Total Assets	105,460,555
	Liabilities	
21	Accounts Payable	$ 16,977
22	Deferred Revenues	$ 3,780
23	Due to Cafeteria	$ (4,020)
24	Due to PSE	$ 946,558
25	Health IBNR	$ 24,800,000
26	RX IBNR	$ 1,400,000
	Total Liabilities	$ 27,163,295
27	**Net Assets**	$ 78,297,259
	Less Reserves Allocated	
28	Premiums for Plan Year 1/1/19-12/31/19 ($5,508,000 + $2,826,000 + $13,370,000)	$ (5,426,000)
29	Premiums for Plan Year 1/1/20-12/31/20 ($1,884,000 + $8,020,000 + $15,180,000)	$ (25,084,000)
30	Premiums for Plan Year 1/1/21-12/31/21 ($5,350,000 + $9,108,000)	$ (14,458,000)
31	Premiums for Plan Year 1/1/22-12/31/22 ($6,072,000)	$ (6,072,000)
32	Catastrophic Reserve ($16,000,000)	$ (16,000,000)
33	**Net Assets Available**	$ 11,257,259

Arkansas State Employees (ASE) Financials - January 1, 2018 through September 30, 2018

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	1654	48		**1702**	2599	64		**2663**
CLASSIC	2114	66		**2180**	3523	89		**3612**
PREMIUM	22304	2056		**24360**	38264	2565		**40829**
PRIMARY		209	10132	**10341**		436	13072	**13508**
TOTAL	**26072**	**2379**	**10132**	**38583**	**44386**	**3154**	**13072**	**60612**

REVENUES & EXPENDITURES

		Current Month	Year to Date (9 Month)
	Funding		
1	State Contribution	$ 14,579,045	$ 130,977,084
2	Employee Contribution	$ 8,038,907	$ 72,632,737
3	Other	$ 1,197,883	$ 16,173,190
4	Allocation of Reserves	$ 1,501,000	$ 13,509,000
	Total Funding	$ 25,316,835	$ 233,292,011
	4 wks medical and 4 pharmacy claims		
	Expenses		
	Medical Expenses		
5	Claims Expense	$ 18,636,381	$ 149,510,691
6	Claims IBNR	$ -	$ -
7	Medical Administration Fees	$ 1,314,815	$ 10,985,079
8	Refunds	$ -	$ -
9	Employee Assistance Program (EAP)	$ 54,147	$ 490,009
	Life Insurance	$ 78,055	$ 707,063
	Pharmacy Expenses		$ -
11	RX Claims	$ 7,356,935	$ 61,476,068
12	RX IBNR	$ -	$ (600,000)
13	RX Administration	$ 122,006	$ 1,102,847
14	Plan Administration	$ 555,171	$ 3,842,597
	Total Expenses	$ 28,117,510	$ 227,514,353
15	**Net Income/(Loss)**	$ (2,800,675)	$ 5,777,658

BALANCE SHEET

	Assets	
16	Bank Account	$ 7,999,210
17	State Treasury	$ 92,151,522
18	Due from Cafeteria Plan	$ 10,652,466
19	Due from PSE	
20	Receivable from Provider	
21	Accounts Receivable	$ 308,008
	Total Assets	$ 111,111,206
	Liabilities	
22	Accounts Payable	$ 803
23	Deferred Revenues	$ 3,780
24	Due to Cafeteria	$ (1,626)
25	Due to PSE	$ 187,679
26	Health IBNR	$ 25,700,000
27	RX IBNR	$ 1,400,000
	Total Liabilities	$ 27,290,635
	Net Assets	$ 83,820,571
	Less Reserves Allocated	
28	Premiums for Plan Year 1/1/18 - 12/31/18 ($5,040,000 + $8,262,000 + $4,710,000)	$ (4,503,000)
29	Premiums for Plan Year 1/1/19 - 12/31/19 ($5,508,000 + $2,826,000+$13,370,000)	$ (21,704,000)
30	Premiums for Plan Year 1/1/20 - 12/31/20 ($1,884,000+$8,020,000)	$ (9,904,000)
31	Premiums for Plan Year 1/1/21 - 12-31/21 ($5,350,000)	$ (5,350,000)
32	Catastrophic Reserve (2017 $20,600,000)	$ (30,600,000)
33	**Net Assets Available**	$ 11,759,571
34		

Public School Employees (PSE) Financial Statement - January 1, 2019 through September 30, 2019

	PSE SUBSCRIBERS				PSE MEMBERS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
PSE Basic	4,754	538	0	5,292	7,193	696	0	7,889
PSE Classic	25,697	2,328	0	28,025	49,057	2,800	0	51,857
PSE Premium	16,680	472	0	17,152	22,547	503	0	23,050
SUBTOTAL	**47,131**	**3,338**	**0**	**50,469**	**78,797**	**3,999**	**0**	**82,796**
Med Primary	0	13,392	56	13,448	0	115	14,568	14,683
TOTAL	**47,131**	**16,730**	**56**	63,917	**78,797**	**4,114**	**14,568**	**97,479**

REVENUES & EXPENDITURES

		Current Month	Year to Date (9 Month)
	Funding		
1	Per Participating Employee Funding (PPE Funding)	$ 8,559,800	$ 76,558,743
2	Employee Contribution	$ 10,149,501	$ 90,670,372
3	Department of Education Funding	$ 4,583,333	$ 70,600,000
4	Other	$ 1,300,389	$ 11,285,055
5	Allocation of Reserves	$ 1,054,666	$ 9,492,000
	Total Funding	$ 25,647,689	$ 258,606,171
	Expenses		
	Medical Expenses		
6	Claims Expense	$ 20,610,127	$ 175,686,203
7	Claims IBNR		$ (1,000,000)
8	Medical Administration Fees	$ 2,127,536	$ 19,187,969
9	Refunds	$ -	$ -
10	Employee Assistance Plan (EAP)	$ 84,824	$ 763,414
	Pharmacy Expenses	$ -	$ -
10	RX Claims	$ 4,758,669	$ 44,347,659
11	RX IBNR	$ -	$ -
12	RX Administration	$ 196,971	$ 1,758,111
13	Plan Administration	$ 89,541	$ 1,879,595
	Total Expenses	$ 27,867,668	$ 242,622,950
15	Less DOE Allocation		$ (18,100,000)
16	**Net Income/(Loss)**	$ (2,219,979)	$ (2,116,780)

BALANCE SHEET

	Assets	
17	Bank Account	$ 26,627,816
18	State Treasury	$ 132,021,390
19	Receivable from Provider	$ -
20	Accounts Receivable	$ 6,478,962
21	Due from ASE	$ 946,558
	Total Assets	$ 166,074,727
	Liabilities	
22	Accounts Payable	$ 12,483
23	Due to ASE	$ -
24	Deffered Revenues	$ -
25	Health IBNR	$ 27,000,000
26	RX IBNR	$ 1,000,000
	Total Liabilities	$ 28,012,483
27	**Net Assets**	$ 138,062,243
	Less Reserves Allocated	
28	Premiums for Plan Year 1/1/19-12/31/19 ($396,000 + $12,260,000)	$ (3,164,000)
29	Premiums for Plan Year 1/1/20-12/31/20 ($264,000 + $7,360,000 + $17,630,000)	$ (25,254,000)
30	Premiums for Plan Year 1/1/21-12/31/21 ($4,900,000 + $10,578,000)	$ (15,478,000)
31	Premiums for Plan Year 1/1/22-12/31/22 ($7,052,000)	$ (7,052,000)
32	Premium Assistance (FICA Savings)	$ (4,854,219)
33	Catastrophic Reserve ($58,500,000)	$ (58,500,000)
34	**Net Assets Available**	$ 23,760,024

Public School Employees (PSE) Financials - January 1, 2018 through September 30, 2018

	EMPLOYEE ONLY				EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL	ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	4505	492		**4997**	6765	644		**7409**
CLASSIC	24655	2265		**26920**	46927	2687		**49614**
PREMIUM	17150	580		**17730**	22932	624		**23556**
PRIMARY		61	12741	**12802**		123	13851	**13974**
TOTAL	**46310**	**3398**	**12741**	**62449**	**76624**	**4078**	**13851**	**94553**

REVENUES & EXPENDITURES

		Current Month	Year to Date (9 Month)
	Funding		
1	Per Participating Employee Funding (PPE Funding)	$ 8,352,449	$ 74,685,501
2	Employee Contribution	$ 9,870,465	$ 87,840,648
3	Department of Education $35,000,000 & $15,000,000 & Other Funding	$ 4,583,333	$ 70,600,000
4	Other	$ 1,133,938	$ 10,073,938
5	Allocation of Reserves	$ 1,883,333	$ 16,949,997
	Total Funding	$ 25,823,519	$ 260,150,084
	4 wks of claims Medical and Pharmacy		
	Expenses		
	Medical Expenses		
6	Claims Expense	$ 20,921,806	$ 169,251,158
7	Claims IBNR	$ -	$ 2,300,000
8	Medical Administration Fees	$ 2,028,948	$ 16,892,980
9	Refunds	$ -	
10	Employee Assistance Program (EAP)	$ 78,935	$ 711,978
	Pharmacy Expenses		
11	RX Claims	$ 5,430,921	$ 41,513,838
12	RX IBNR	$ -	$ (400,000)
13	RX Administration	$ 191,308	$ 1,708,736
14	Plan Administration	$ 601,407	$ 3,818,105
	Total Expenses	$ 29,253,325	$ 235,796,795
15	Less DOE Allocation		$ (18,100,000)
16	**Net Income/(Loss)**	$ (3,429,806)	$ 6,253,290

BALANCE SHEET

	Assets	
17	Bank Account	$ 22,982,391
18	State Treasury	$ 142,244,080
19	Receivable from Provider	$ -
20	Accounts Receivable	$ 6,166,155
21	Due from ASE	$ 187,679
	Total Assets	$ 171,580,304
	Liabilities	
22	Accounts Payable	$ 290
23	Due to ASE	
24	Deferred Revenues	$ 5,875
25	Due to Federal Government ($27 fee)	
26	Health IBNR	$ 28,000,000
27	RX IBNR	$ 1,000,000
	Total Liabilities	$ 29,006,165
28	**Net Assets**	$ 142,574,140
	Less Reserves Allocated	
29	Premiums for Plan Year 1/1/18 - 12/31/18 ($3,840,000 + $660,000+18,100,000 DOE)	$ (5,650,003)
30	Premiums for Plan Year 1/1/19 - 12/31/19 ($396,000+$12,260,000)	$ (12,656,000)
31	Premiums for Plan Year 1/1/20 - 12/31/20 ($264,000+$7,360,000)	$ (7,624,000)
32	Premiums for Plan Year 1/1/21 - 12/31/21 ($4,900,000)	$ (4,900,000)
33	Premium Assistance (FICA Savings)	$ (4,671,777)
34	Catastrophic Reserve (2017 $58,500,000)	$ (58,500,000)
35	**Net Assets Available**	$ 48,572,360
36		

PROJECTED PAID CLAIMS AND EXPENSES BY MONTH

PSE

September 2019

Medical Claims

PROJECTED Monthly Amount	ACTUAL Monthly Amount	DIFFERENCE Monthly Amount	PROJECTED YTD Total	ACTUAL YTD Total	DIFFERENCE YTD Total
18,480,000	20,610,127	2,130,127	160,250,000	175,686,203	15,436,203

Note: IBNR no change

Pharmacy Claims

PROJECTED Monthly Amount	ACTUAL Monthly Amount	DIFFERENCE Monthly Amount	PROJECTED YTD Total	ACTUAL YTD Total	DIFFERENCE YTD Total
5,090,000	4,758,669	(331,331)	42,920,000	44,347,659	1,427,659

Note: IBNR no change

Expenses/Other

PROJECTED Monthly Amount	ACTUAL Monthly Amount	DIFFERENCE Monthly Amount	PROJECTED YTD Total	ACTUAL YTD Total	DIFFERENCE YTD Total
2,740,000	2,498,871	(241,129)	24,490,000	22,589,089	(1,900,911)

ASE

September 2019

Medical Claims

PROJECTED Monthly Amount	ACTUAL Monthly Amount	DIFFERENCE Monthly Amount	PROJECTED YTD Total	ACTUAL YTD Total	DIFFERENCE YTD Total
15,680,000	15,219,754	(460,246)	141,630,000	139,705,823	(1,924,177)

Note: IBNR no change

Pharmacy Claims

PROJECTED Monthly Amount	ACTUAL Monthly Amount	DIFFERENCE Monthly Amount	PROJECTED YTD Total	ACTUAL YTD Total	DIFFERENCE YTD Total
7,210,000	6,226,825	(983,175)	65,270,000	64,383,401	(886,599)

Note: IBNR no change

Expenses/Other

PROJECTED Monthly Amount	ACTUAL Monthly Amount	DIFFERENCE Monthly Amount	PROJECTED YTD Total	ACTUAL YTD Total	DIFFERENCE YTD Total
2,150,000	2,713,271	563,271	19,530,000	15,912,511	(3,617,489)

NOTES FOR September 2019 FINANCIALS

PSE

- We paid 4 weeks of claims for both medical and pharmacy.
- FICA Savings received for the month was $536,000. Total FICA savings for the year was $4.8 million
- We had a net loss of 2.2 million for the month and a net loss of $2.1 million year-to-date – Line 16.
- Net Assets available are $23.7 million – Line 33.

ASE

- We paid 4 weeks of claims for both medical and pharmacy.
- We had a net gain of $1.1 million for the month and a net gain of $17.8 million year-to-date – Line 14.
- Net Assets available are $11.2 million – Line 32.

The projected vs. actual claims and expenditures report shows the monthly amounts for September and the year-to-date amounts for January through September 2019.

OCTOBER 2019
BENEFITS PRESENTATION

Izzy Montgomery, MPA
Policy Analyst

10.18.2019

ACHI
INSPIRING HEALTHY ACTS

OBJECTIVES

- Review updated health risk assessment (HRA) analyses and trend comparisons:
  - Response rates
  - Demographic breakdown
  - Previously assessed risk factors: physical inactivity, current smokers, obesity and associated claims costs
  - Additional survey questions of interest

HRA SURVEY RESPONSE RATES: PLAN TYPE (2017–2018)

Plan Type	2017	2018
ASE	24,735 (38%)	13,670 (37%)
PSE	40,762 (62%)	23,231 (63%)
Total	**65,497**	**36,901**

HRA SURVEY RESPONDENT DEMOGRAPHICS: GENDER (2017–2018)

Gender	2017	2018
Male	21,766 (33%)	12,203 (33%)
Female	43,731 (67%)	24,698 (67%)
Total	**65,497**	**36,901**

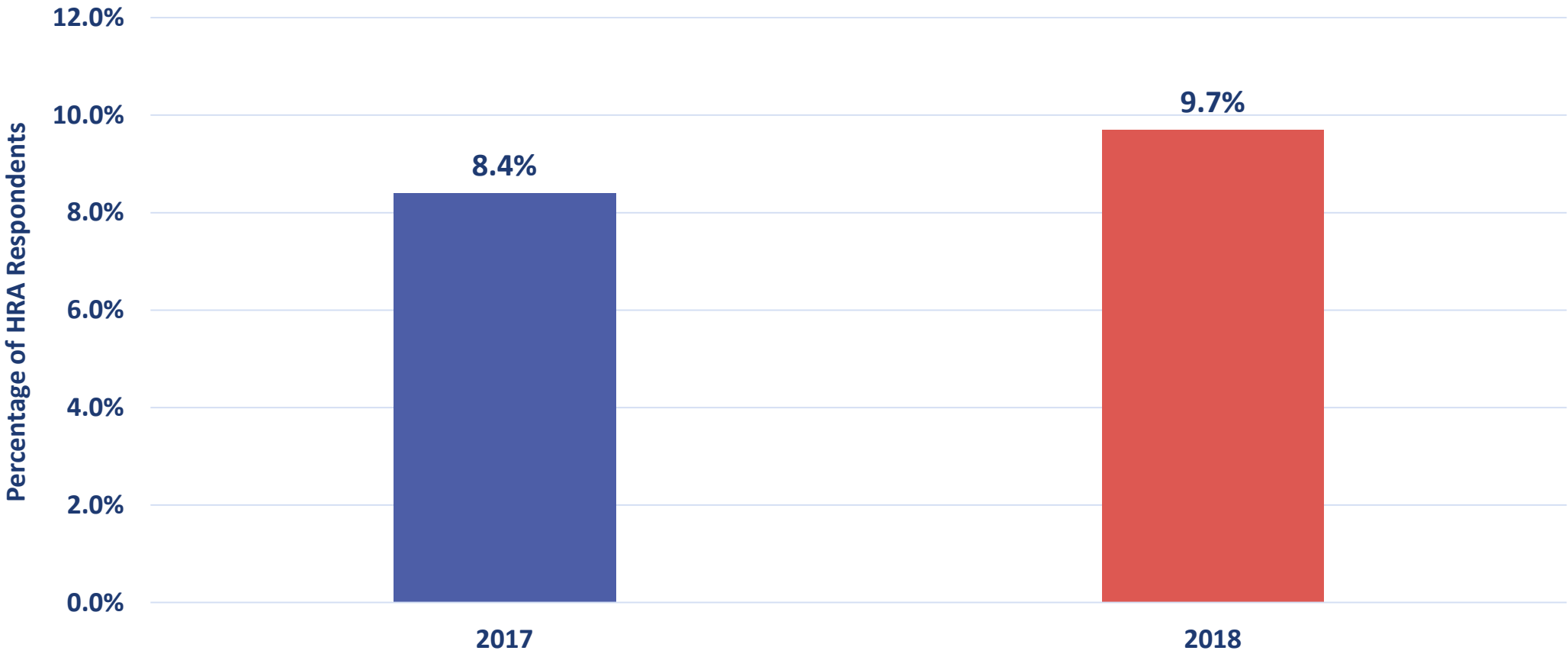
HRA SURVEY RESPONDENT DEMOGRAPHICS: AGE (2017–2018)

Age Range	2017	2018
18 to 24	921 (1%)	434 (1%)
25 to 34	10,861 (17%)	6,433 (17%)
35 to 44	15,338 (23%)	8,606 (23%)
45 to 54	18,444 (28%)	10,176 (28%)
55 to 64	17,289 (26%)	9,688 (26%)
65 to 74	2,644 (4%)	1,564 (4%)
Total	**65,497**	**36,901**

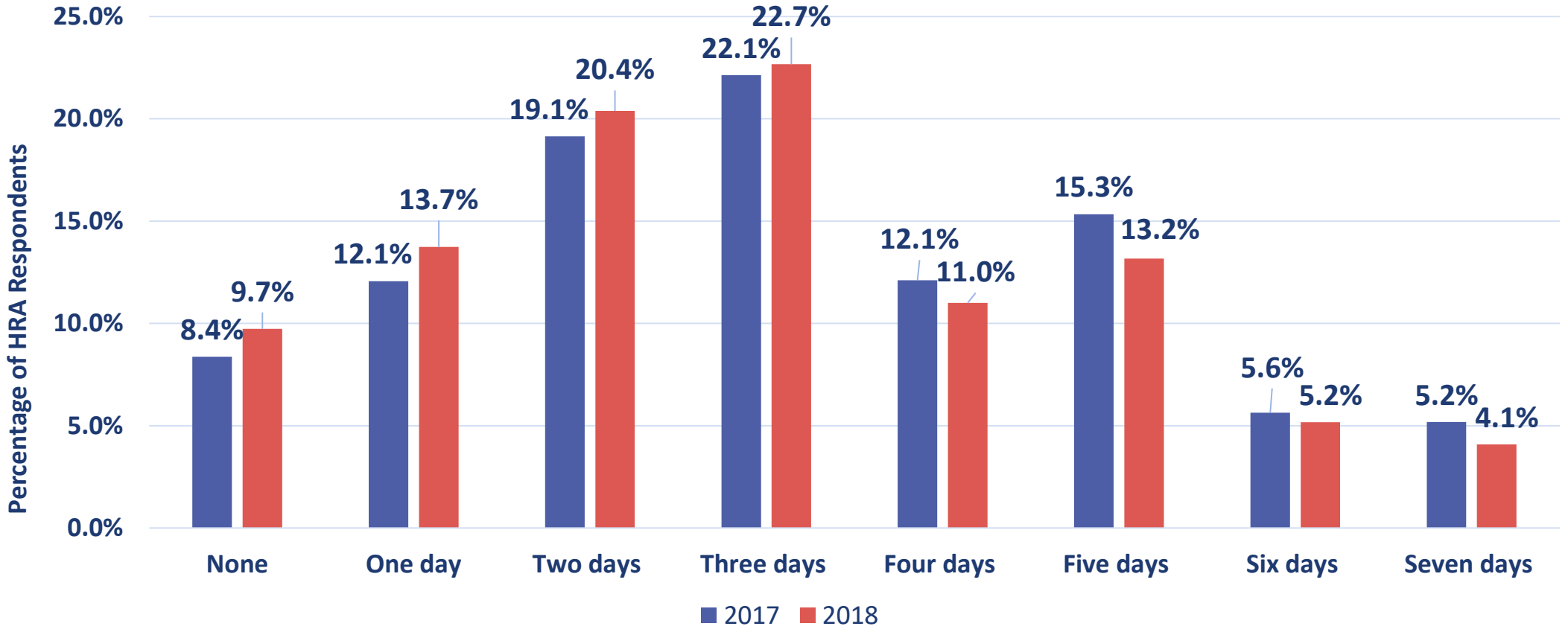
PHYSICAL INACTIVITY

- HRA Question: How many days per week do you do at least 20 to 30 minutes of physical activity?
  - 0 days to 7 days
- Respondents reporting zero days of physical activity per week were deemed “physically inactive” for this analysis

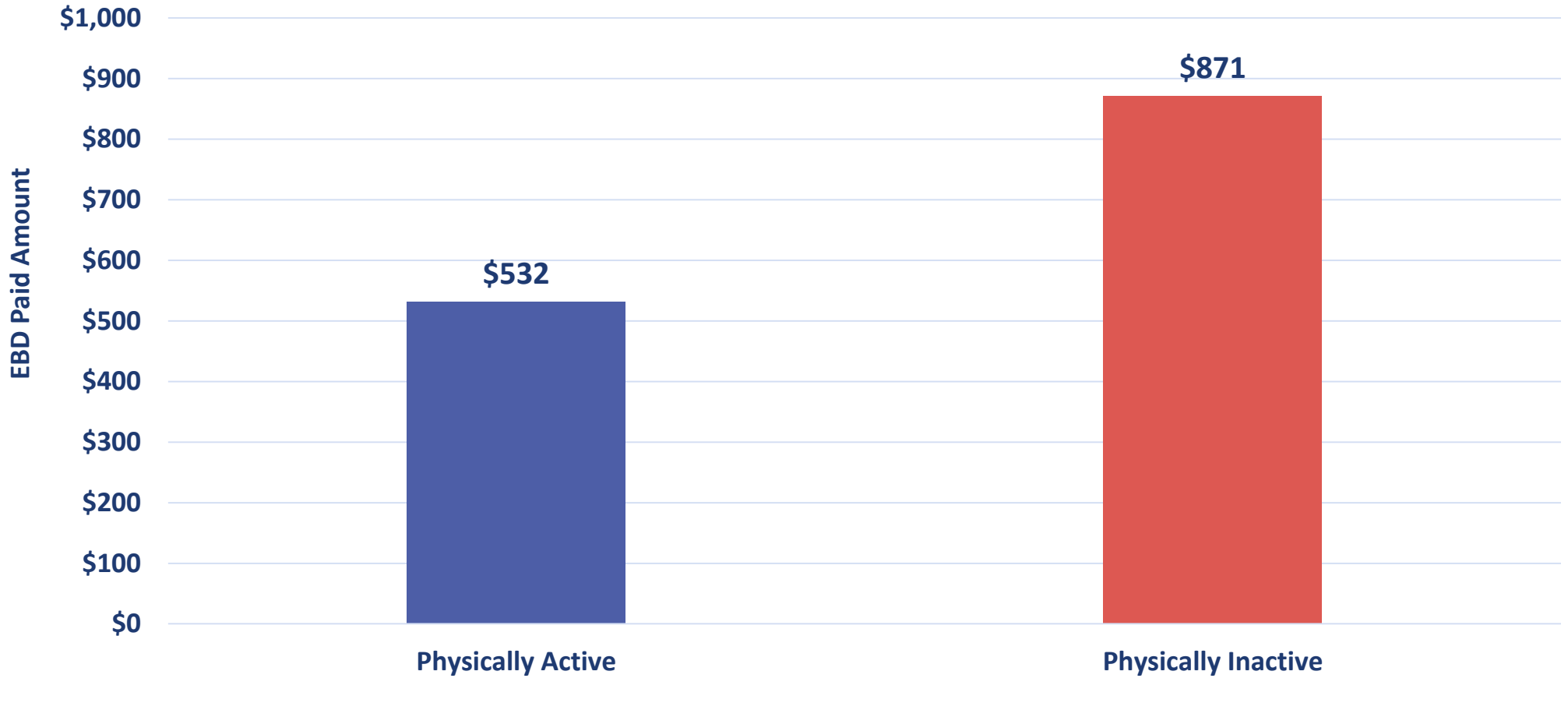
PHYSICAL INACTIVITY (2017–2018)



PHYSICAL ACTIVITY RESPONSES BY REPORTED DAYS OF ACTIVITY (2017–2018)



MEDIAN ANNUAL COSTS FOR PHYSICALLY ACTIVE VS. PHYSICALLY INACTIVE (2018)

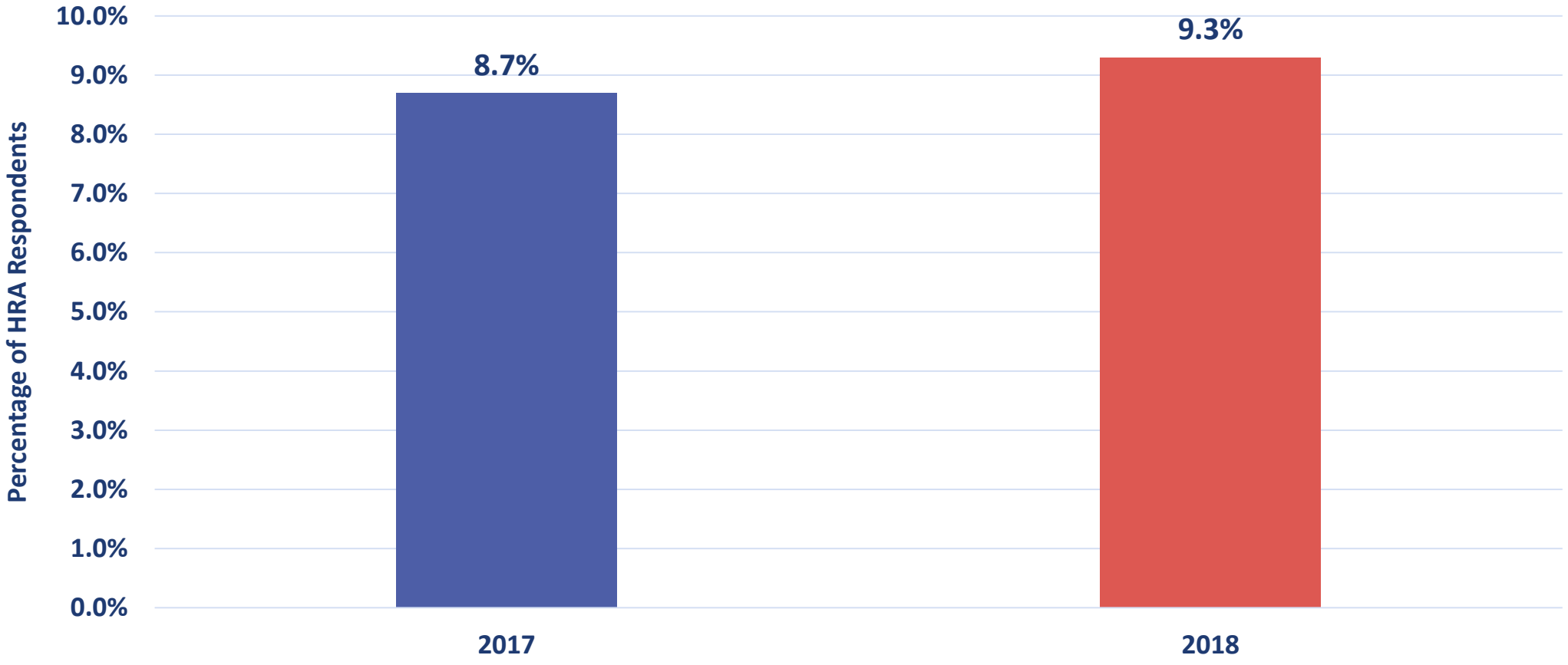


CURRENT SMOKERS (2018)

- HRA Question: Smoking status – Select the item below that applies to you:
  - Have never smoked
  - Quit smoking two or more years ago
  - Quit smoking one or more years ago
  - Quit smoking 6-12 months ago
  - Quit smoking 0-5 months ago
  - *Currently smoke pipe or cigar only
  - *Currently smoke fewer than 10 cigarettes daily
  - *Currently smoke 10 or more cigarettes daily

*Individuals who responded “Yes” to questions in red were included in analysis as current smokers.

CURRENT SMOKERS (2017–2018)

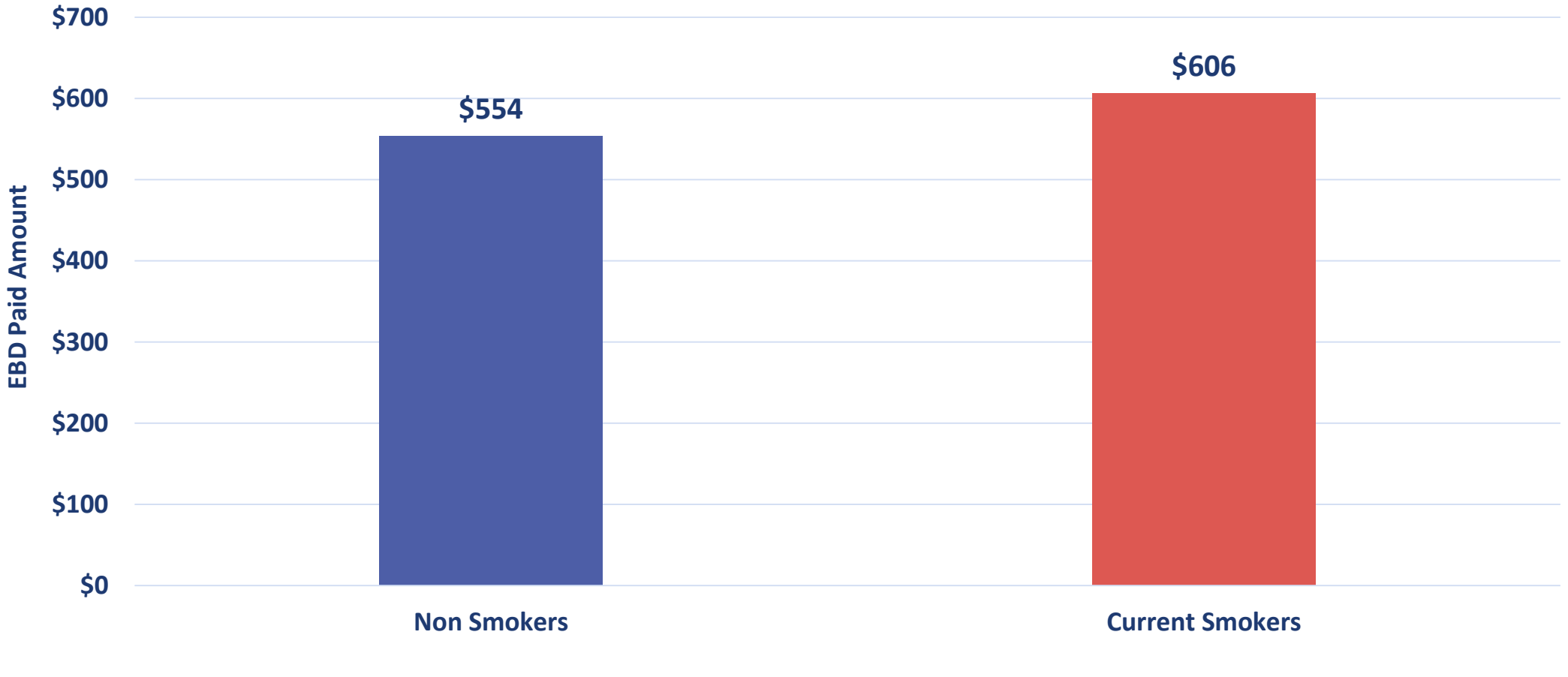


STATEWIDE CURRENT SMOKERS (2018)

- According to Behavioral Risk Factor Surveillance Survey (BRFSS), Arkansas adults who are current smokers: 22.7%

Source: BRFSS Prevalence and Trends Data, Arkansas – Topic: Current Smoker Status, 2018.

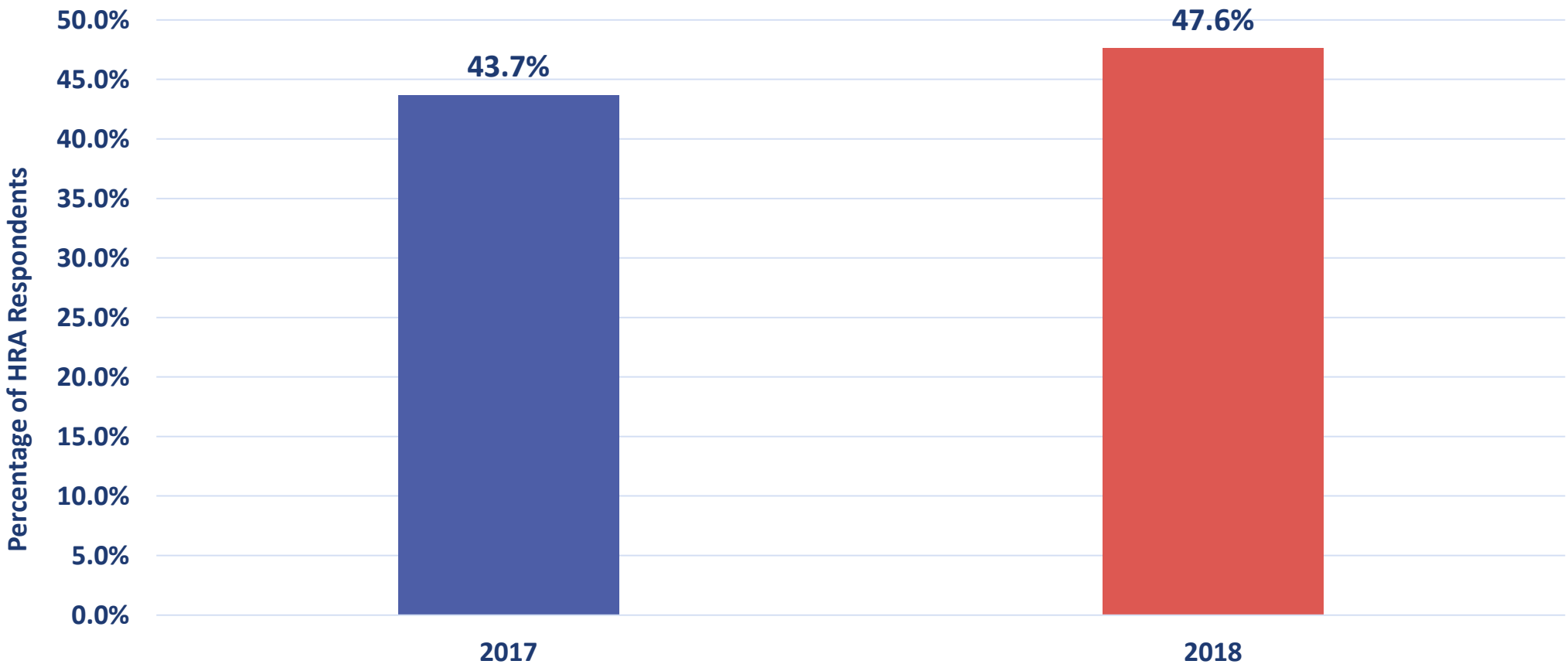
MEDIAN ANNUAL COSTS FOR NON-SMOKERS VS. CURRENT SMOKERS (2018)



OBESITY

- HRA question: Respondents provide their height and weight
- BMI is then derived from this information

OBESITY (2017–2018)

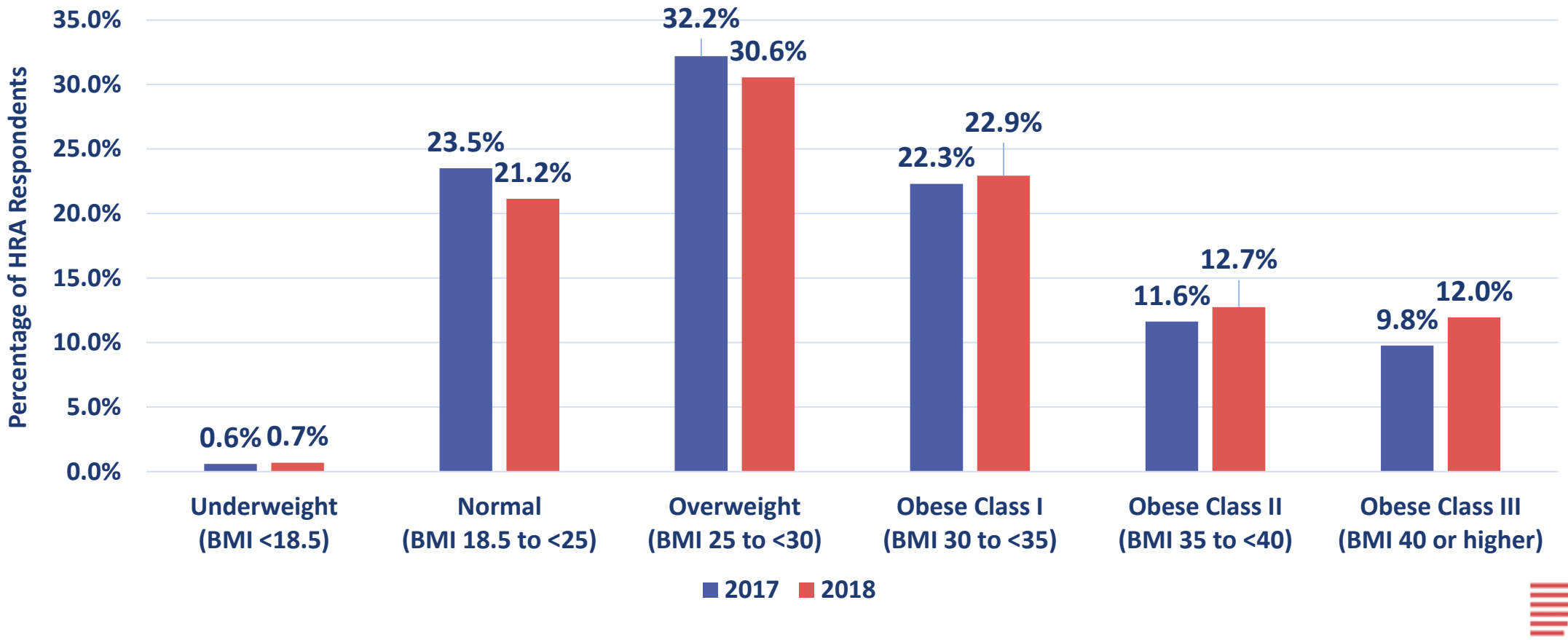


STATEWIDE OBESITY (2018)

- According to BRFSS, Arkansas adults who classified as obese: 37.1%

Source: BRFSS Prevalence and Trends Data, Arkansas – Topic: Overweight and Obesity (BMI), 2018.

BMI CATEGORIZATION OF HRA RESPONDENTS (2017–2018)

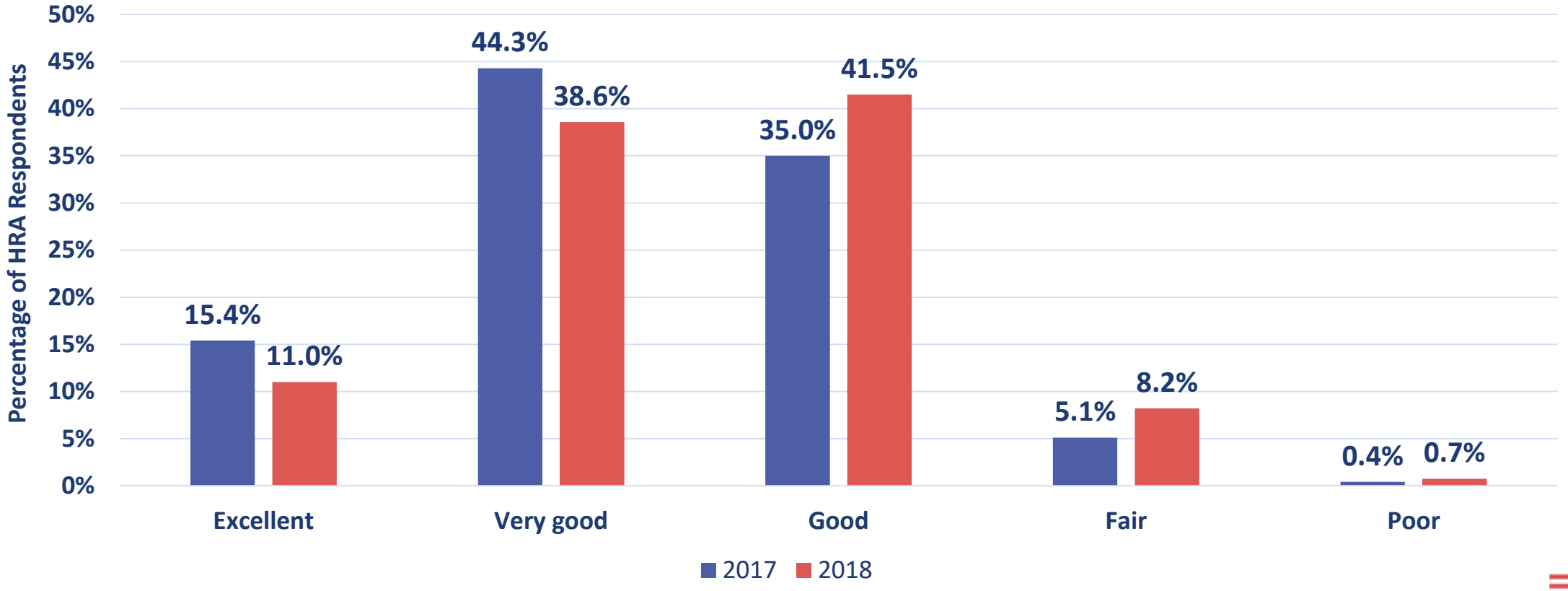


MEDIAN ANNUAL COSTS FOR NON-OBESE VS. OBESE MEMBERS (2018)

GENERAL HEALTH

- HRA question: Complete the following statement: “In general, my overall health is…”
  - Excellent
  - Very good
  - Good
  - Fair
  - Poor

GENERAL HEALTH RATES AMONG RESPONDENTS (2017–2018)

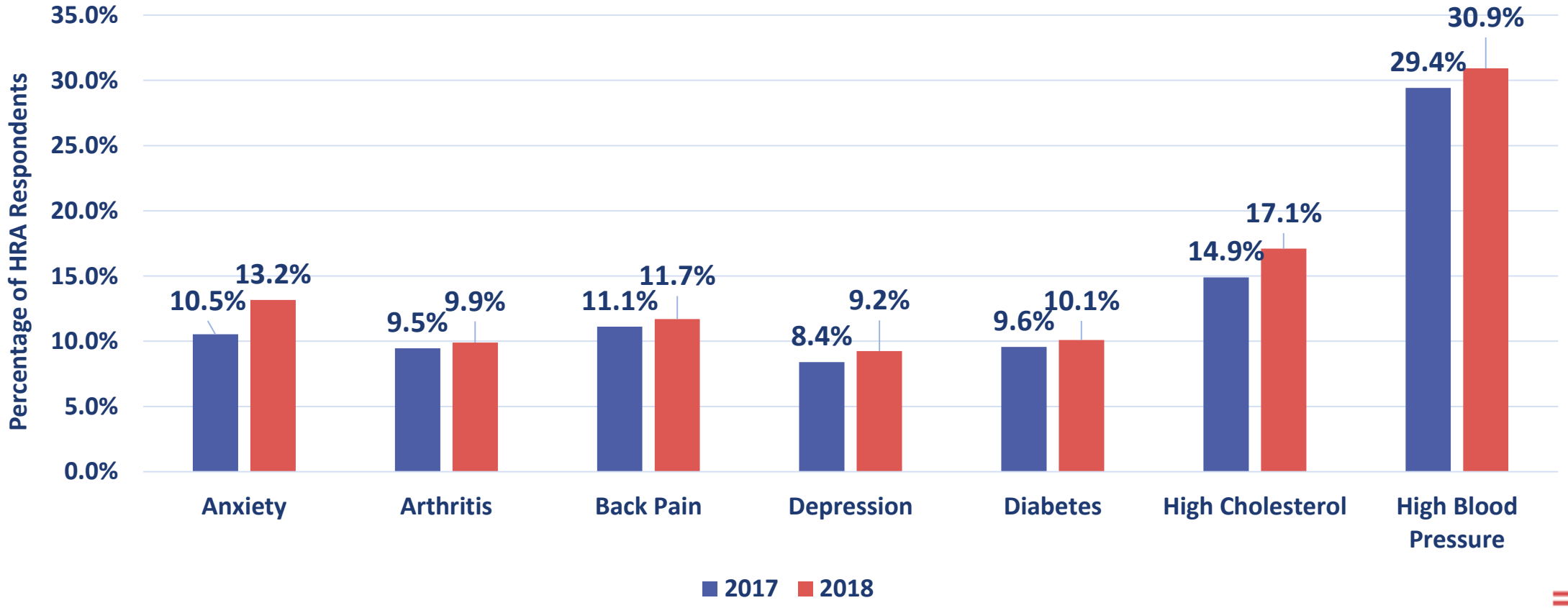


CURRENT HEALTH

- HRA question: If you've been told you have any of the following diseases or illnesses, please select them:

Stroke	High cholesterol
Asthma	Cancer
Diabetes	High blood pressure
Arthritis	Chronic bronchitis, COPD
Back pain	Angina, congestive heart failure or heart attack
Depression	Heartburn
Osteoporosis	Headaches
Anxiety	Allergies

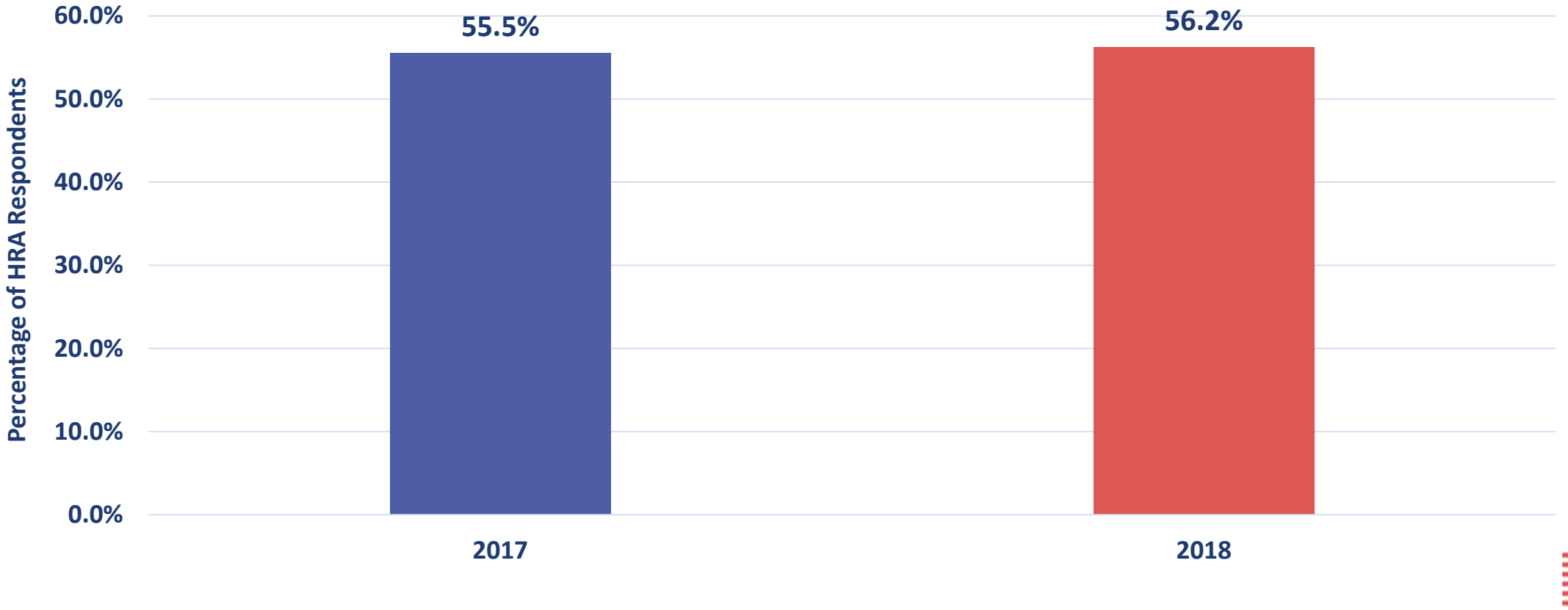
MOST FREQUENT CURRENT HEALTH CONDITIONS AMONG RESPONDENTS (2017–2018)



FLU SHOT

- HRA question: Have you had a flu shot in the last 12 months?

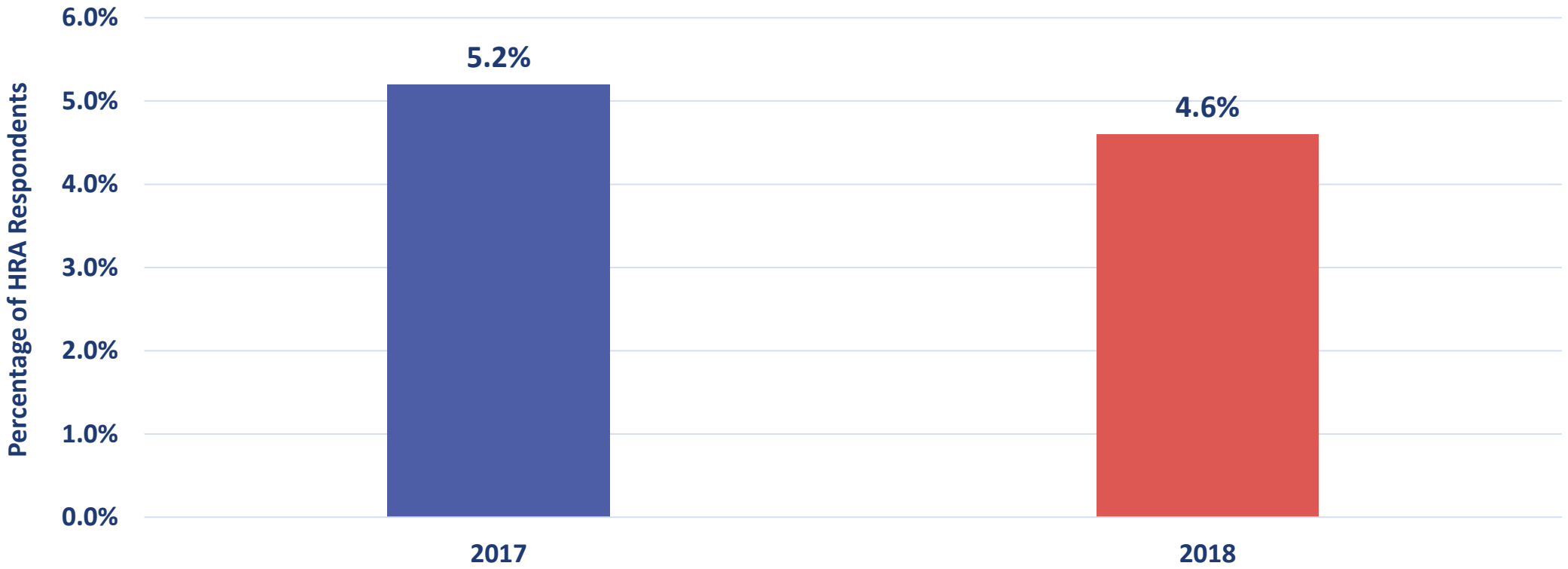
FLU SHOT RATES AMONG RESPONDENTS (2017–2018)



BINGE DRINKING

- HRA question: Have you had 5 or more alcoholic drinks in a single sitting over the past 6 months? (A single sitting is defined by the CDC as 2 hours or less)

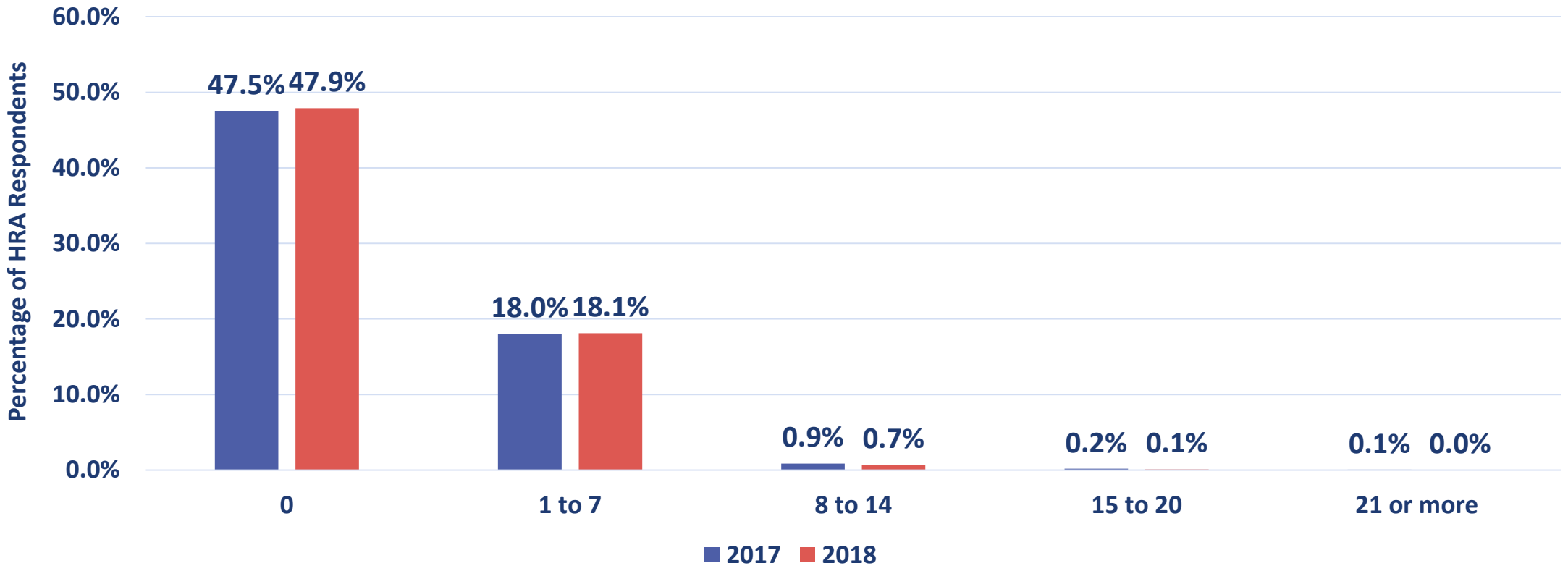
BINGE DRINKING RATES AMONG RESPONDENTS (2017–2018)



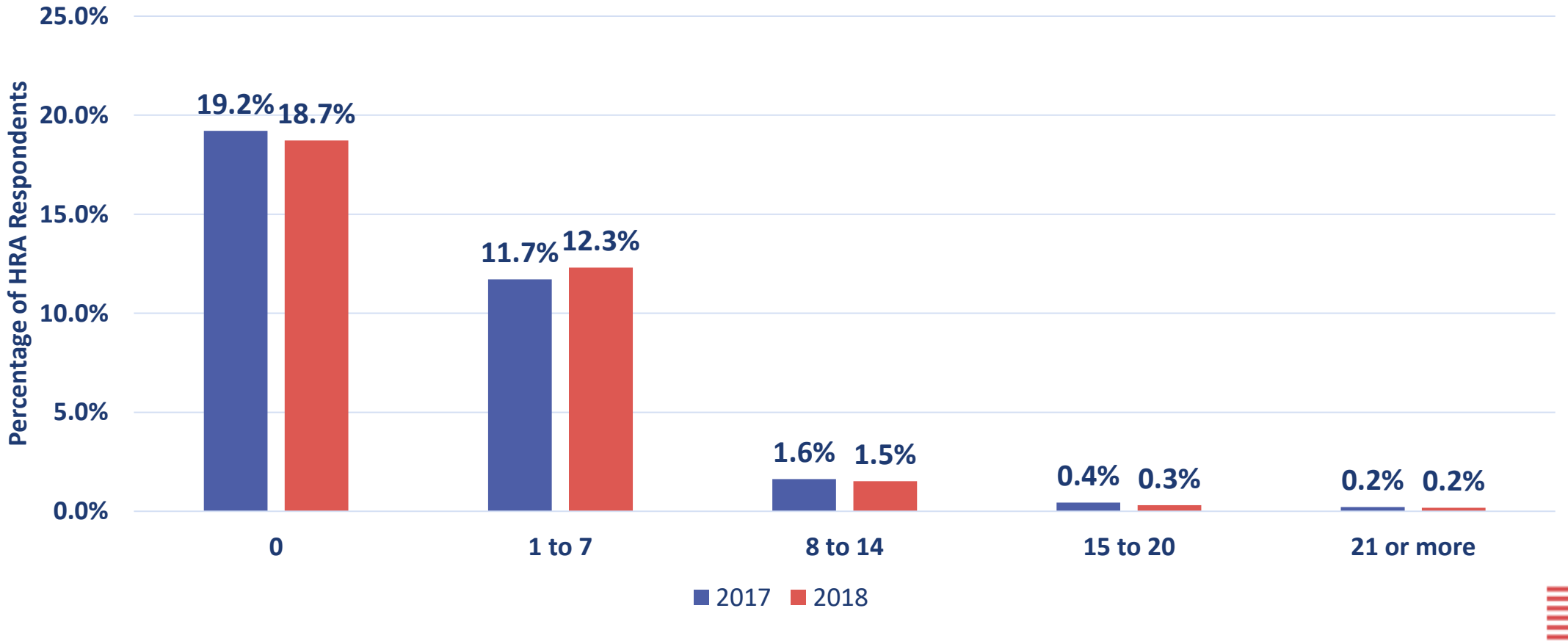
NUMBER OF ALCOHOLIC DRINKS

- HRA question: How many alcoholic drinks do you usually consume each week? (One drink = a 12 oz. beer or wine cooler, 5 oz. wine, or 1.5 oz. distilled liquor)
  - 0
  - 1 to 7
  - 8 to 14
  - 15 to 20
  - 21 or more

NUMBER OF ALCOHOLIC DRINKS PER WEEK: FEMALE RESPONDENTS (2017–2018)



NUMBER OF ALCOHOLIC DRINKS PER WEEK: MALE RESPONDENTS (2017–2018)



CONCLUSIONS

- 2018 analysis is based on 56% fewer responses than previous year
- Most members do not attain the recommended amount of physical activity
- Members report about half the rate of current smoking as seen in the BRFSS
- Obesity rate continues to trend upward, affecting almost half of members
- Plan pays higher median costs for members with physical inactivity, smoking, or obesity

CONCLUSIONS

- Over 90% of members report that their general health is good, very good, or excellent
- Significant number of members report serious health conditions
- About 5% of members report binge drinking; less than 1% of members report other problem drinking
- Flu shot rates low for both ASE & PSE

RECOMMENDATIONS

- Plan should consider additional options to assist members with known risk factors and chronic diseases
- Efforts should be made to utilize same validated questionnaire for all members
- Revisit online HRA questions for relevance and accuracy for 2020
- Retrieve all HRA responses for complete analysis
- Plan should consider intensifying efforts to promote flu shots

Annual Review

Kannact | ARBenefits

A personalized approach to
Diabetes Management

Kannact Program & ARBenefits Plan – August 2018

- Kannact Program primarily focuses on participants with a diagnosis of Type II Diabetes.
- Program price - $69 for participants with a diagnosis of diabetes and $79 for participants with a diagnosis of diabetes and associated co-morbidities. Program price includes all testing and injectable supplies shipped directly to participant home.
- Historical program timeline: Year one (1) to serve as adoption; Year two (2) and three (3) to show outcome improvement & impact on claims costs.
- Participants are removed from the program after 90 days if they have not utilized Kannact for coaching or supplies.
- ARBenefits had approximately 6,500 participants a combination of previous programs that received no-cost testing supplies, and recommended all these members to transition to Kannact, along with new members interested in the program. Approximately 1/3 of the 6,500 transition participants voluntarily joined Kannact.

This information is confidential and proprietary to Kannact Inc.

Review of Progress to Plan

- Kannact to provide health coaches with Level I and Level II AADE certification, and approximately 250 participants per coach:
  - Kannact began the program with current coaching center in Oregon. To improve service and impact to the participants, Kannact opened an Operational Headquarters in Little Rock in April 2019. Participants are currently coached by local Arkansas health coaches.
- Medical oversight provided:
  - ARBenefits participants currently work with Kannact health coaches, including nurse coaches with AADE clinical certification, and health coaches with AADE Level II certification.
  - All coaches have access to the medical team for escalation, which includes both MD's and Pharmacists.
- Potential cost improvement:
  - During 2020, Kannact will begin evaluating cost trends for one (1) full year of participation in the program.

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Program Definitions

Active Participants: Participants voluntarily enrolled in the Kannact program and eligible for the health plan.

Inactive Participants: Participants who are not active in the program for three (3) consecutive months. Activity includes engagement with a coach or submitting readings to the app.

Engagement with a Coach: Includes a conversation with a coach by phone or secure message. Only successful interactions (a conversation on the phone or responses to messages) are included as engagement with a coach.

Submitting Readings to the App: Connecting blood glucose testing device to participant account to share readings with the participant portal.

Self Reported Testing: Requesting additional supplies based on self-reported testing adherence.

Comorbidity: Conditions included in the participant profile for Kannact program purposes, including hypertension, heart disease, and kidney disease.

Monthly Blood Glucose Average: Includes average of all blood glucose readings for a specific participant submitting readings.

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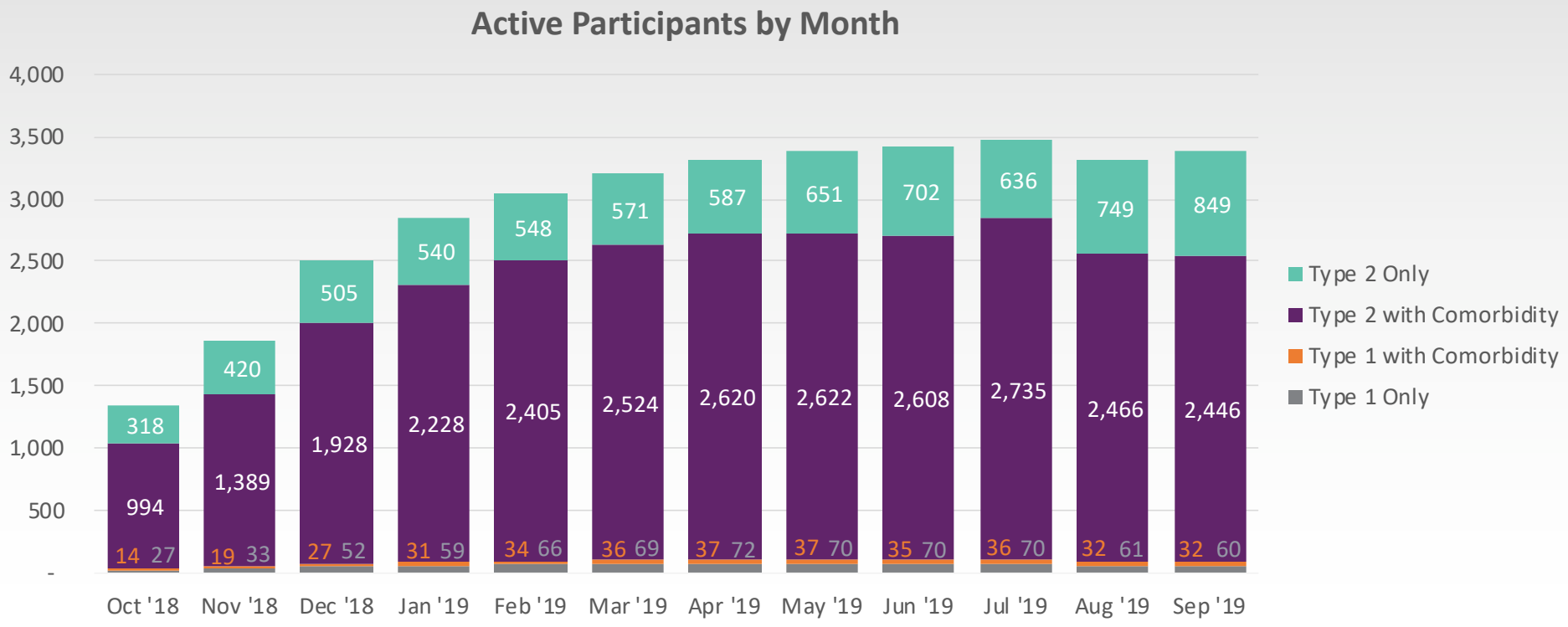
Member Participation



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Profile Creation

Member history and behavior assessment drive individualized profile and action plan.

Member History

- Diabetes diagnosis and testing recommendation
- Diagnosis of related comorbidities
- Past medical services
- Number and type of medications
- Medication strength/dose
- Weight/Height (BMI)
- Blood pressure
- Blood glucose
- Cholesterol

Behavior Assessment

- Nutrition management
- Activity levels
- Family and support system
- Disease knowledge
- Sleep and stress
- Medication adherence
- Testing adherence
- Self-efficacy

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Coaching for Long-Term Behavior Change

- A dedicated coach spends time building a relationship with each participant, growing trust with the coach and program. This process can begin from day one, or take as long as six to nine months, depending on the participant's willingness to share.
- Based on the participant profile and their readiness to change, the coach begins working in areas including lifestyle & behavior modification, nutrition guidance, stress management, clinically appropriate glucose levels, medication adherence, and biometric testing adherence.
- The coach and participant work together to make small, achievable goals that will lead to long-term health improvement.
- The coach has the ability to intervene when appropriate, and identify and bridge gaps with physician summary reports, friends and family platform access, and provide appropriate educational resources.

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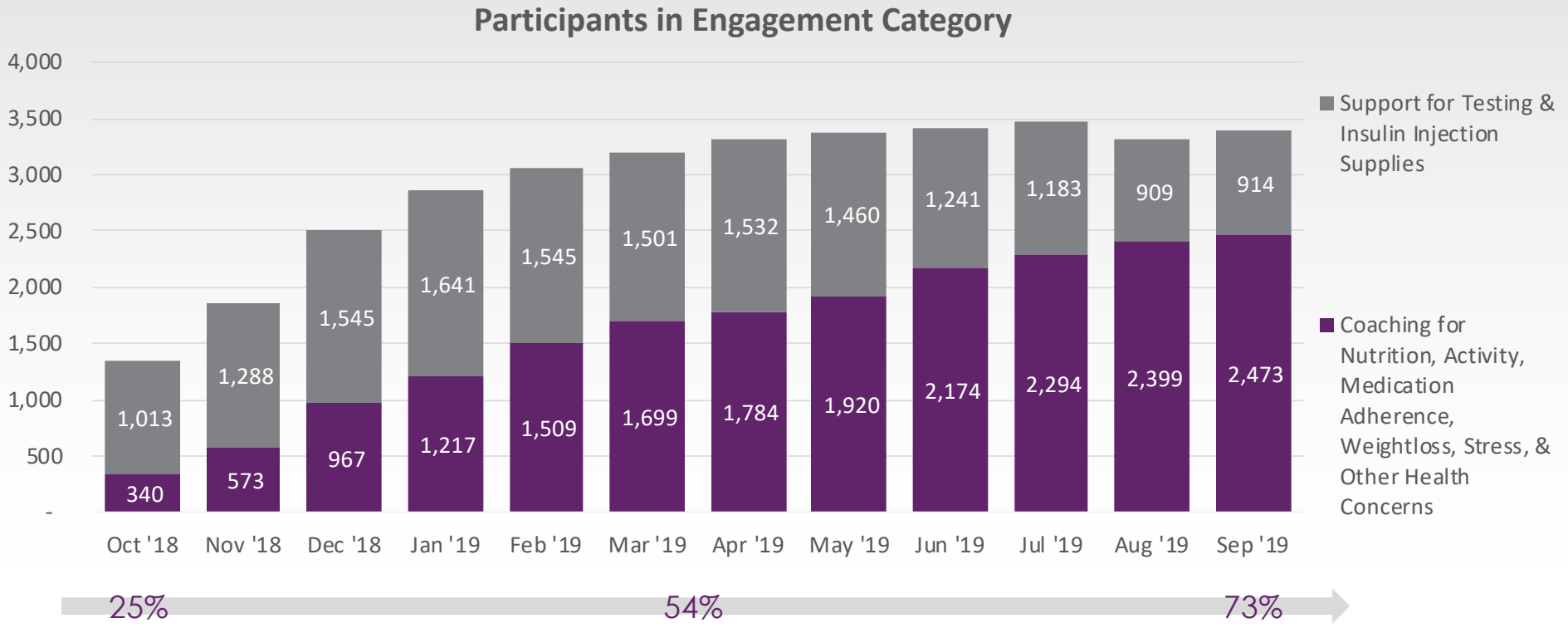
Coach Engagement



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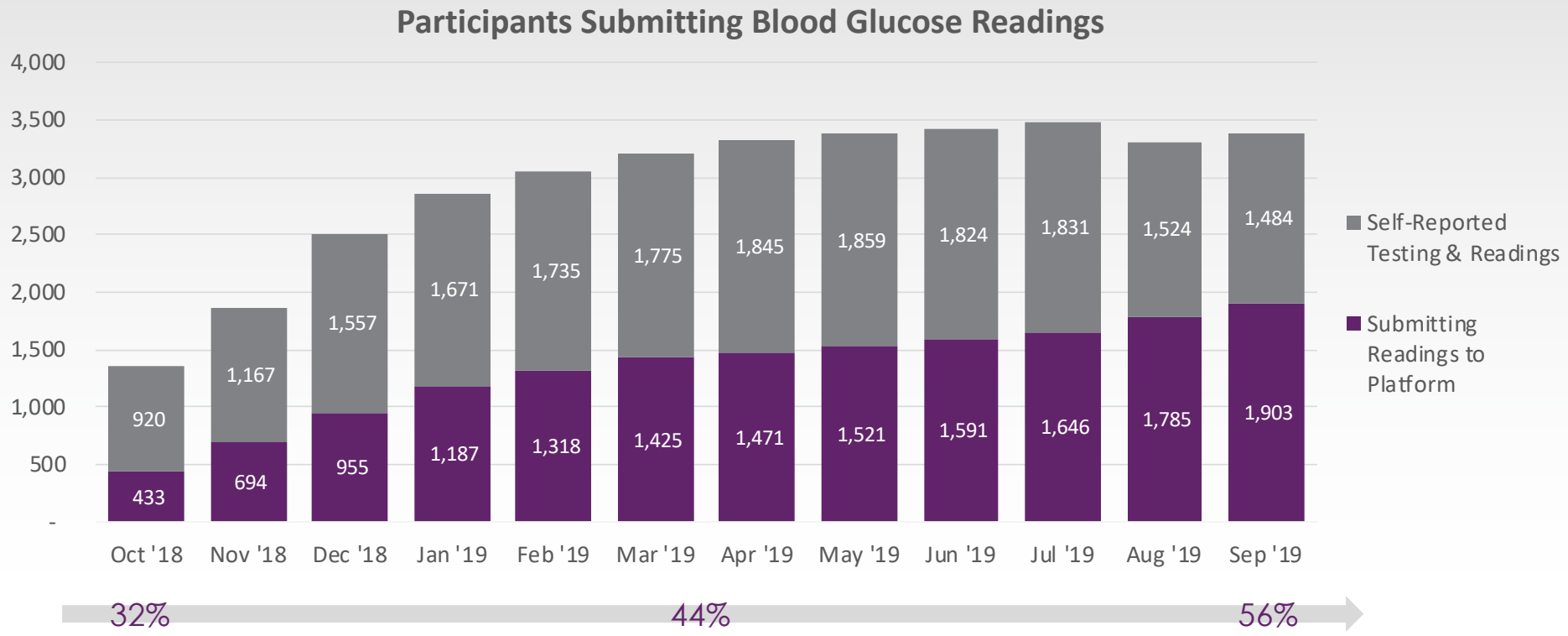
Blood Glucose Readings



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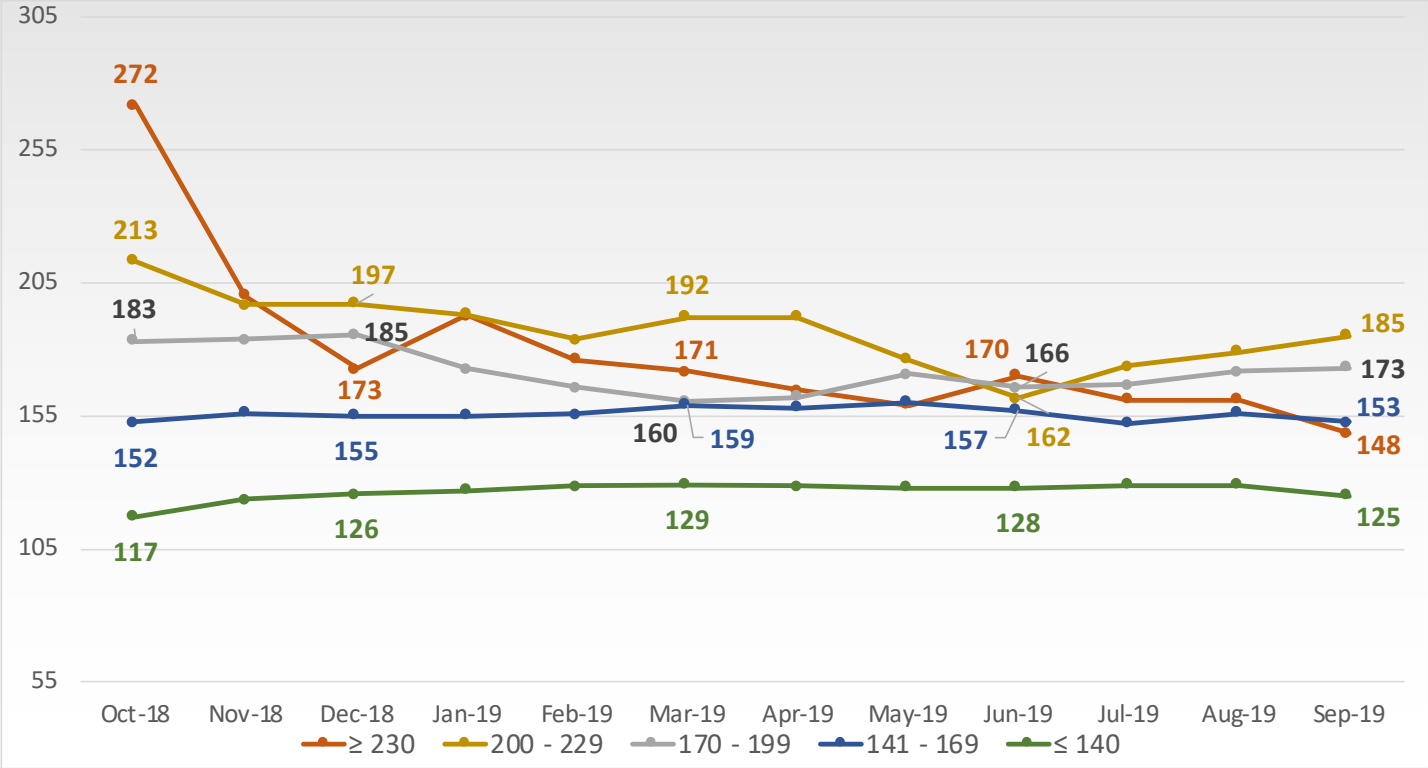
12-Month Blood Glucose Trend of 419 Participants



Requirements for Inclusion

- Began submitting blood glucose readings in October 2018
- Currently active in Kannact program

Participants placed in the following baseline groups based on October blood glucose average

Baseline Range	# of Participants
≥ 230	20
200 - 229	22
170 - 199	26
141 - 169	91
≤ 140	260

This information is confidential and proprietary to Kannact Inc.

Success Stories

ARB Participant 1

- Coach recommended check-in with participant's physician based on oversight from a Kannact pharmacist. Resulted in physician adjusting prescription due to an allergy to blood pressure meds
- **Self Reported A1C down from 7.3 to 5.8**
- Running 2 miles/day since engaging with health coach
- Eliminated unhealthy snacking
- Newfound energy

ARB Participant 2

- **Physician eliminated Insulin after taking it daily for 38 years**
- Eating smaller portions at mealtimes
- Riding bicycle 4-5 miles a day
- Achieved personal goal of eliminating alcohol and soda
- Blood glucose testing consistency since joining program
- Physician identified a noticeably positive demeanor

ARB Participant 3

- Coach identified consistent and unexplainable hyperglycemia in the mornings and recommended the participant to test a few nights around 2 AM
- Nighttime tests showed hypoglycemia, and coach directed patient to check-in with physician
- **Physician altered medications to prevent future nighttime hypoglycemic events**

This information is confidential and proprietary to Kannact Inc.

Success Stories Continued

ARB Participant 4

- PCP reduced testing from 8 x day to 2 x day
- **Compliant to physician recommended plant-based diet**
- Requested frequent contact & is more engaged daily with personal health choices
- Lowered A1C by half a point

ARB Participant 5

- Eating healthier to gain control of obesity
- No longer craving sugary snacks
- Achieved portion control with strategies and accountability from health coach
- Lost over 40 pounds
- **Consistent blood glucose readings between 79-95, down from 120-139**

ARB Participant 6

- Coach suggested swimming for exercise since participant suffered from severe Arthritis
- Involved daughter on journey for accountability
- **Lost 35 pounds since joining program**
- Motivated to be more active and eat healthier meals
- Increased sleep to 8 hours per night to lower stress

This information is confidential and proprietary to Kannact Inc.

Kannact

www.kannact.com

Thank You

State of Arkansas Employee Benefits Division

Interim Monitoring Report

Through September 30th

State and Public School Life and Health Insurance Benefit Subcommittee

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

18 OCTOBER 2019

Milliman

Agenda

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

What is Seasonality?

Characteristic of a time series in which the data experiences regular and predictable changes that recur in a given time period (i.e. quarterly, annually, etc.)[1]

1. Kenton, Will. “Reading Into Seasonality.” Investopedia, Investopedia, 27 May 2019; www.investopedia.com/terms/s/seasonality.asp.

Why is there Seasonality?

- Enrollment Period
- Plan Design / Deductible Leveraging
- Working days / weekends / holidays
- Vacation
- Flu season

Seasonality by Type of Day

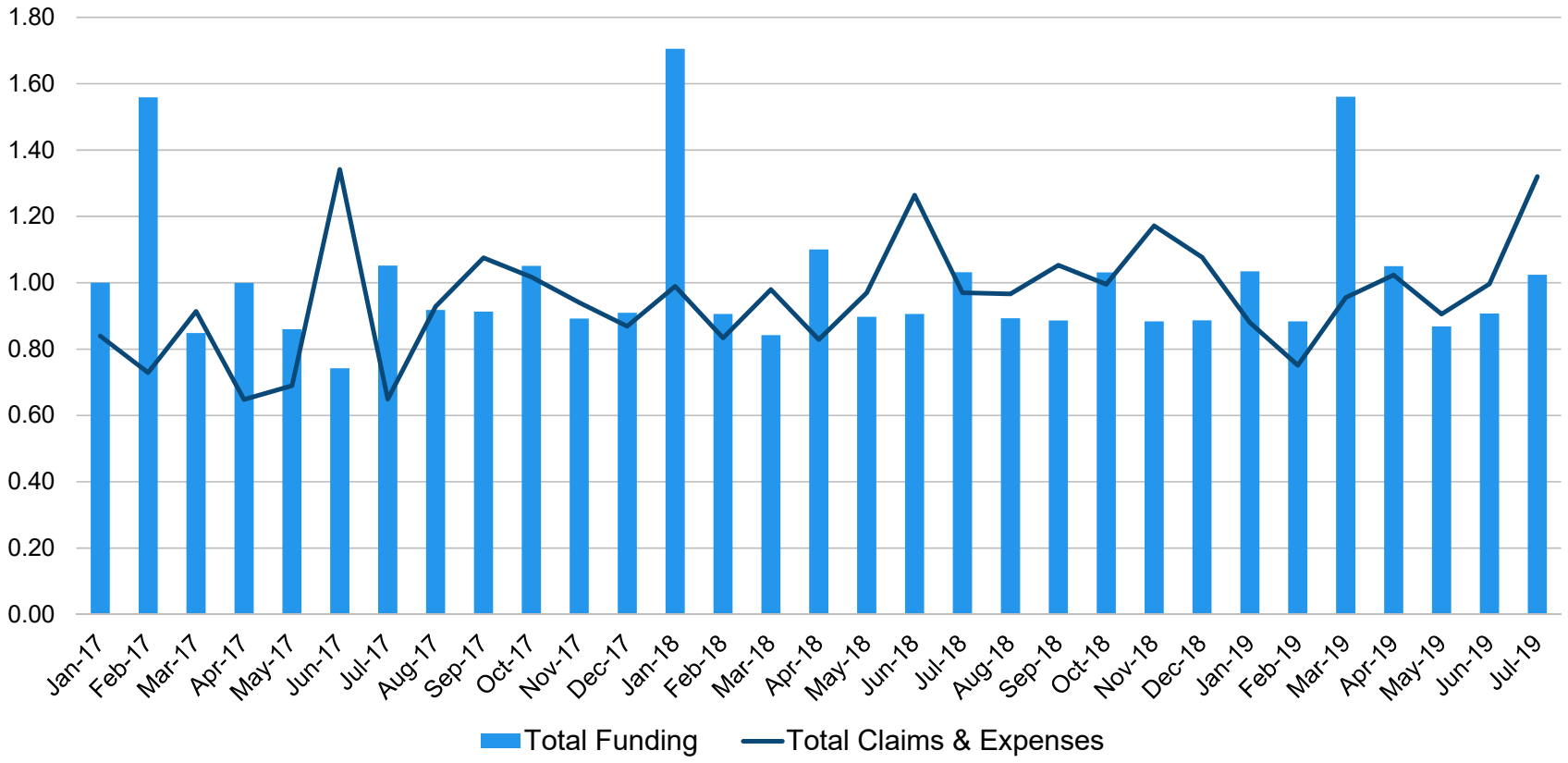
	Week Day	Weekend	Holiday
Seasonality	1.29	0.32	0.45

Month (2018)	# of Week Days	# of Weekend	# of Holidays
January	22	8	1
February	19	8	1
March	22	9	0
…			
October	23	8	0
November	21	8	1
December	20	10	1
Total	254	104	7

Why Seasonality Matters?

- Better predict expected claims and enrollment levels
- Helps with budgets and reserves setting
- Aid business decisions like staffing levels

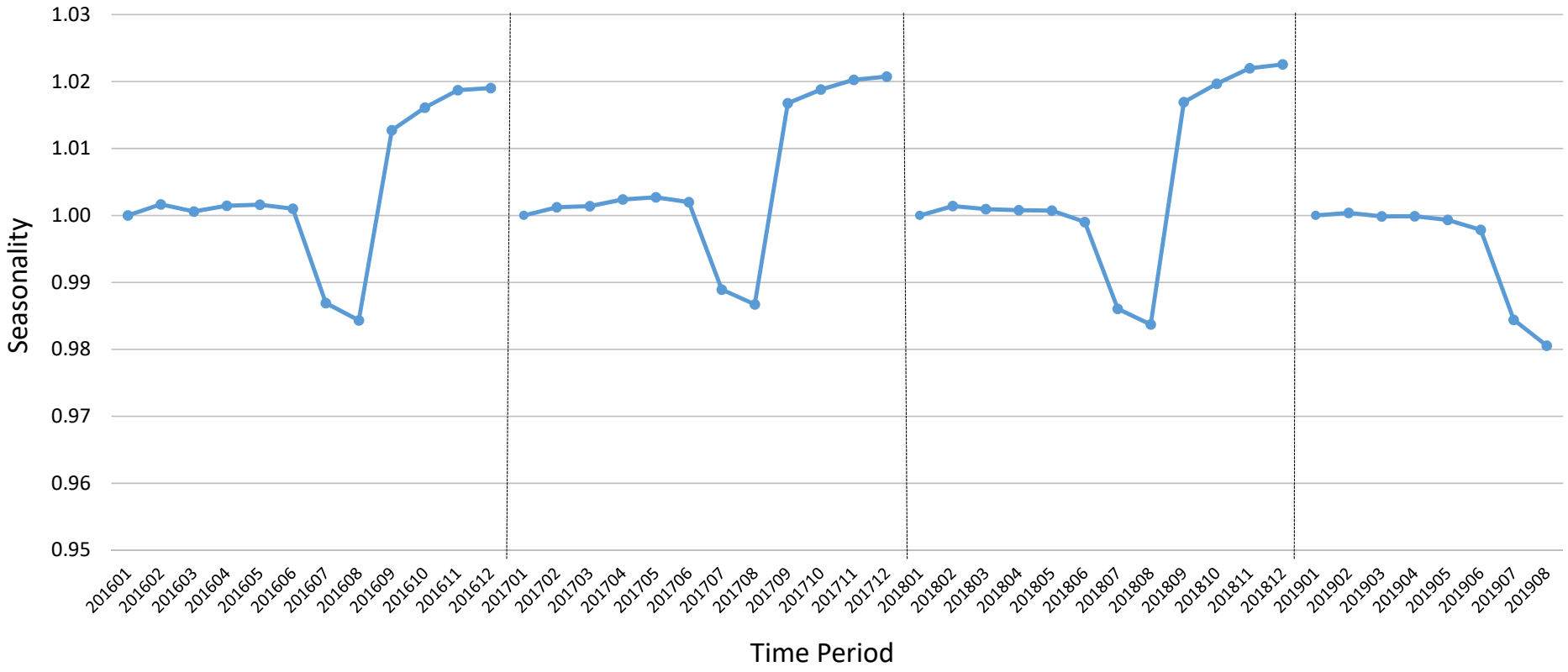
Example – Funding vs. Claims & Expenses



Relative to January 2017 funding

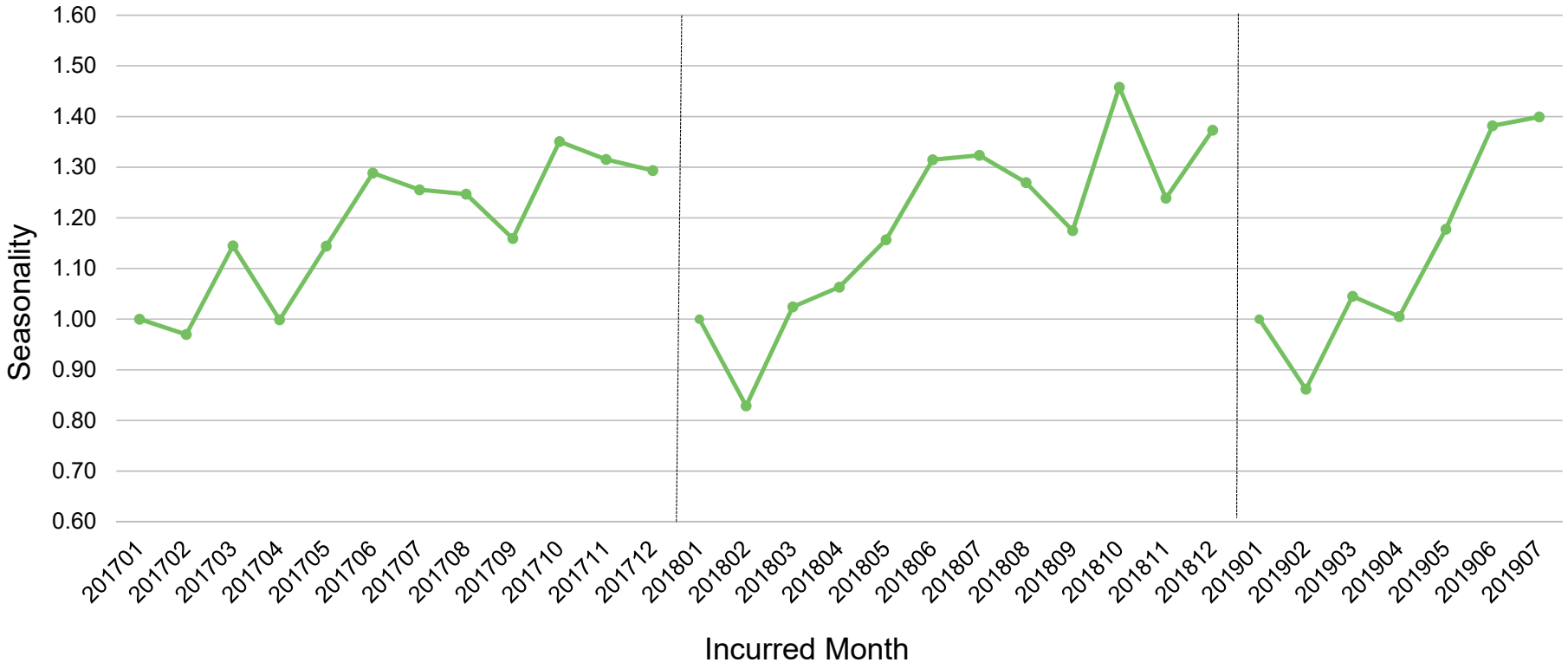
Funding does not include allocation of reserves

Example – Enrollment Seasonality



Relative to January of each year

Example – Medical and Pharmacy Seasonality



Relative to January of each year

Arkansas State Employees (ASE)

Executive Summary

- Update projections show a slight reduction in net income of $2M in 2019 and $1M in 2020. Changes are driven primarily by:
  - Higher expenses
  - Lower other revenue
- 2019 plan experience
  - Estimated surplus of $13.2M
  - Estimated unallocated net assets at the end of 2019 is $7.6M
- 2020 plan experience
  - Allocated reserves for 2020 is $25.1M
  - Estimated surplus of $10.7M
  - Estimated unallocated net assets at the end of 2020 is $18.3M
  - No plan changes / 5% increase in employee contributions

Total Plan Experience

Funding	2018	2019	2020
State Contribution	$ 174.70	$ 174.46	$ 174.88
Employee Contribution	96.70	97.51	103.06
Other	19.70	22.06	22.46
Total Income	$ 291.10	$ 294.04	$ 300.40
Medical Claims	$ (201.40)	$ (197.77)	$ (208.90)
Pharmacy Claims	(81.90)	(88.18)	(96.03)
Administration Fees[1]	(22.70)	(18.24)	(17.56)
Plan Administration	N/A	(2.79)	(2.81)
Total Expenses	$ (306.00)	$ (306.97)	$ (325.30)
Pharmacy Savings	$ -	$ 4.41	$ 10.53
Net Income / (Loss) Before Reserve Allocation	$ (14.90)	$ (8.53)	$ (14.37)
Allocation of Reserves	$ 18.00	$ 21.70	$ 25.10
Net Income / (Loss) After Reserve Allocation	$ 3.10	$ 13.18	$ 10.74

Average Membership			
Active Employees / Pre-65 Retirees	48,091	47,696	47,696
Post-65 Retirees	12,914	13,354	13,754
Total Enrolled	61,006	61,050	61,451

Total Income PMPM[2]	$ 422.23	$ 430.99	$ 441.42
Total Expenses PMPM[3]	$ (418.00)	$ (413.00)	$ (426.86)

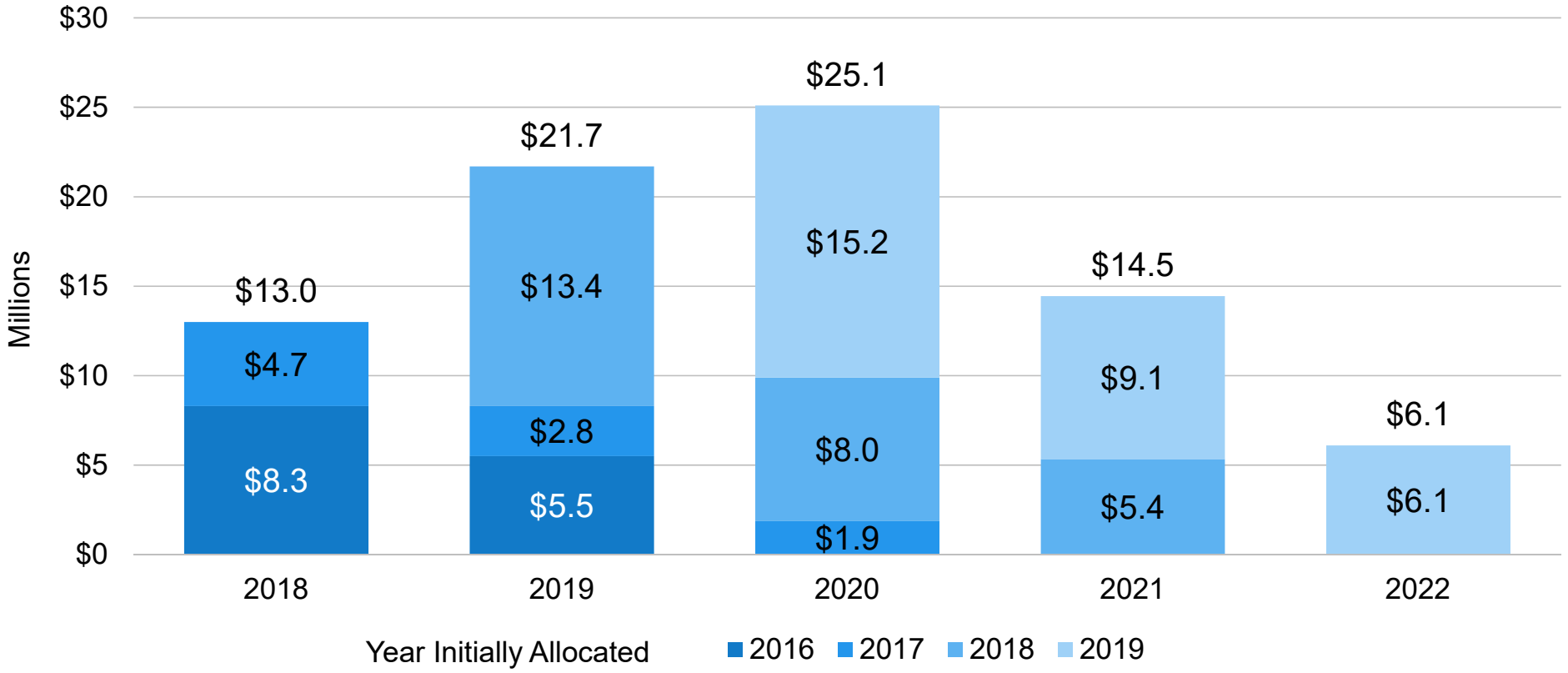
[1] 2018 Administration Fees included Plan Administration

[2] Allocation of Reserves included in Total Income

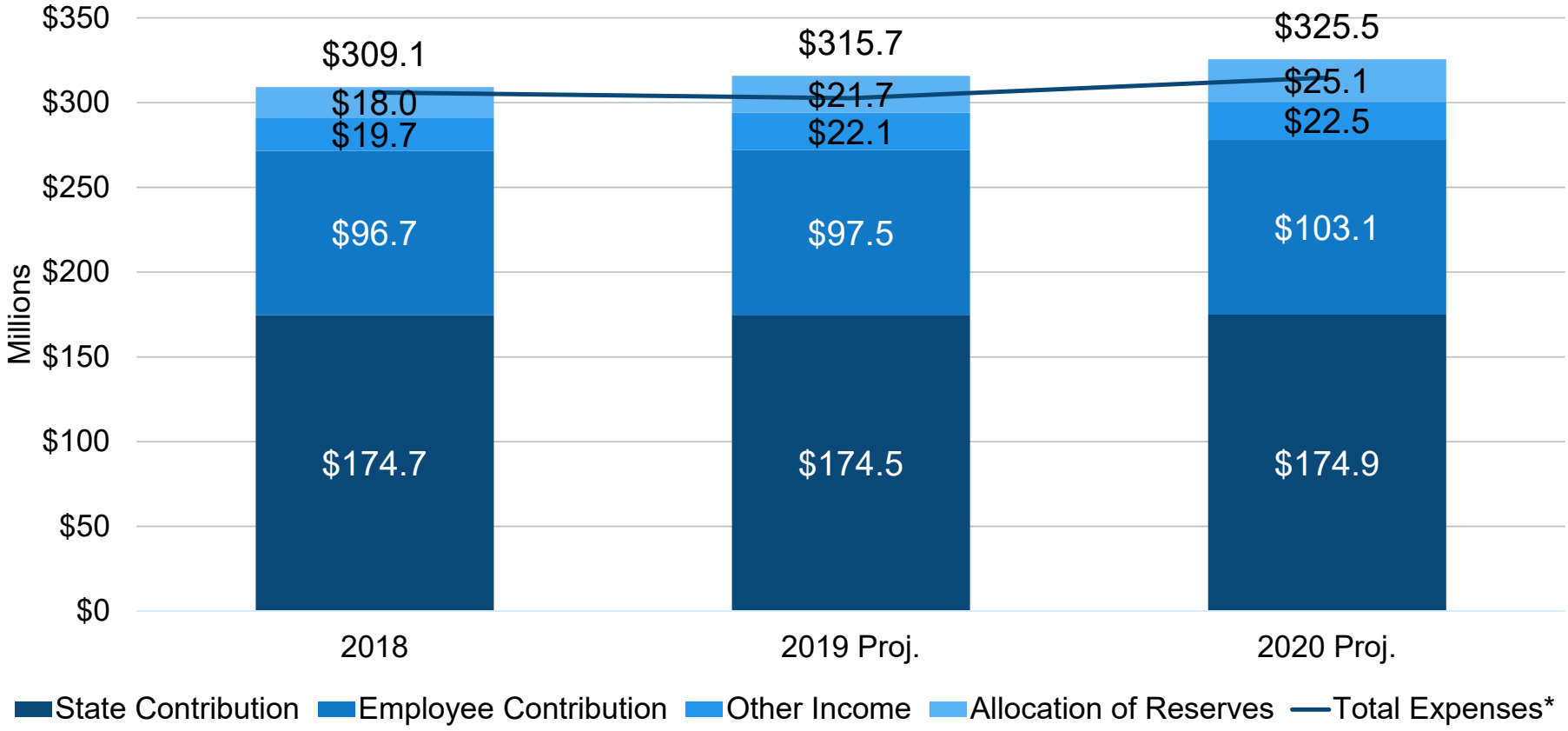
[3] Total Expenses offset by Pharmacy Savings

Reserves Allocation by Year

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

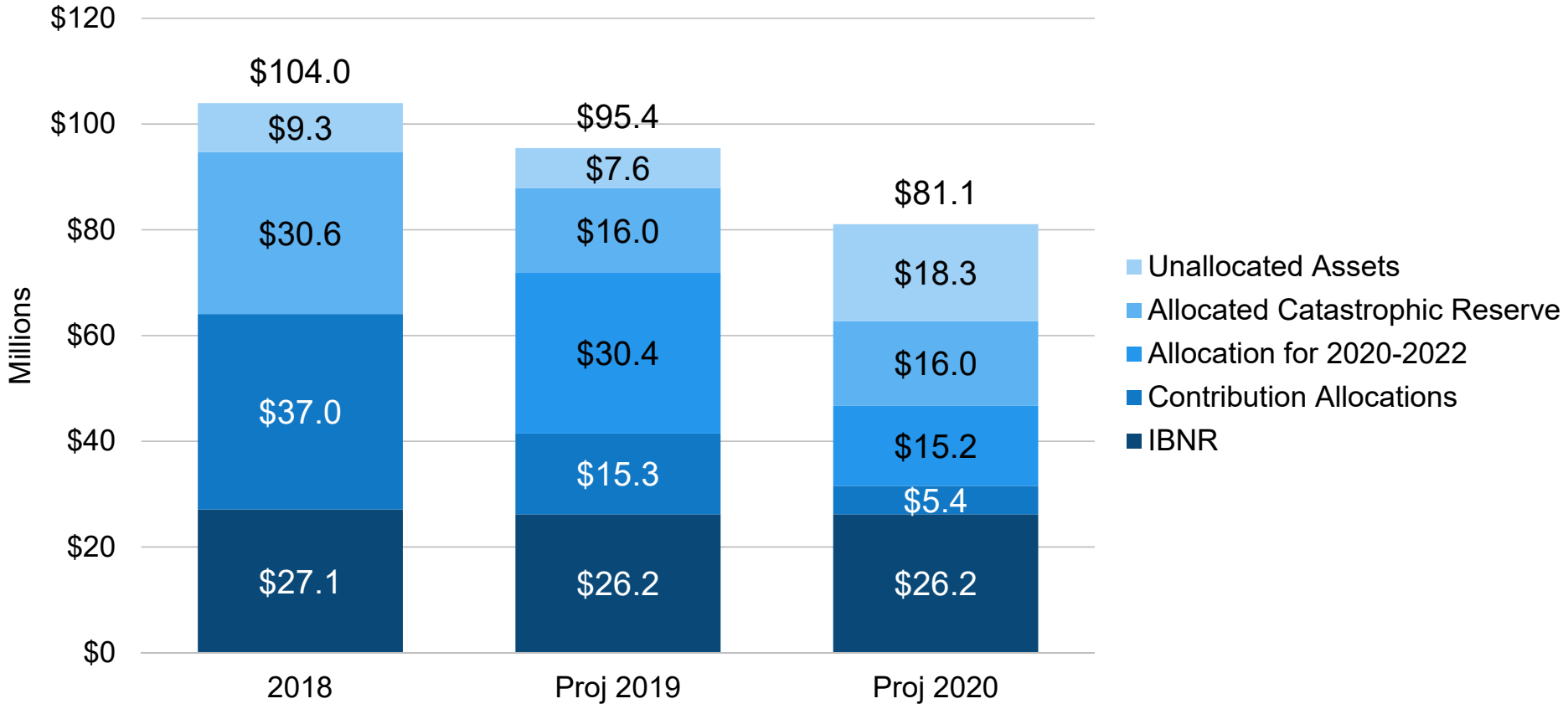


Income vs. Expenditure

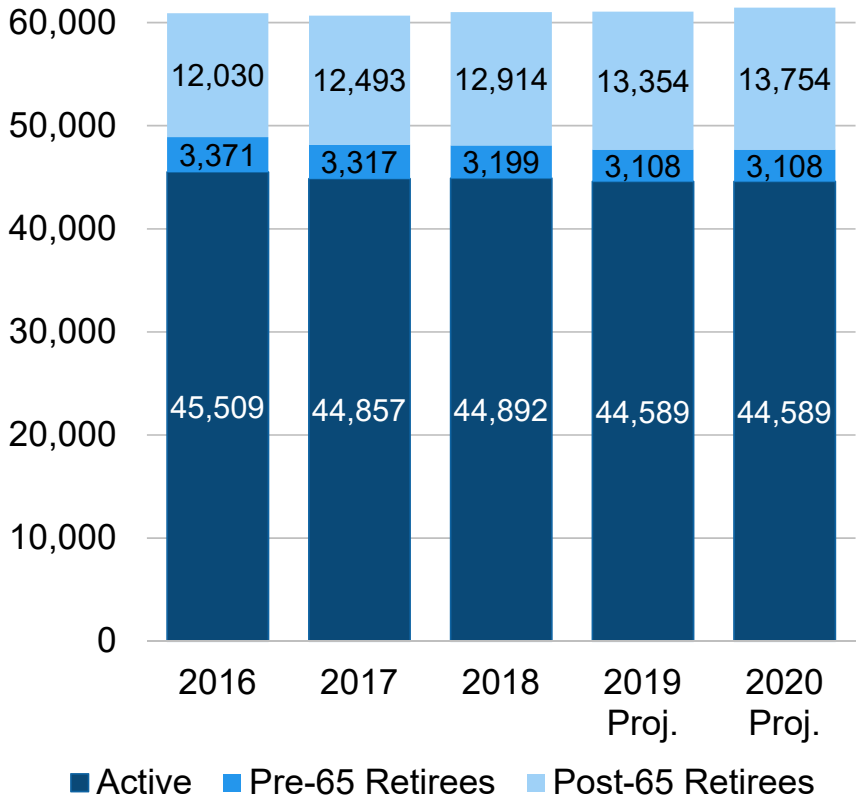


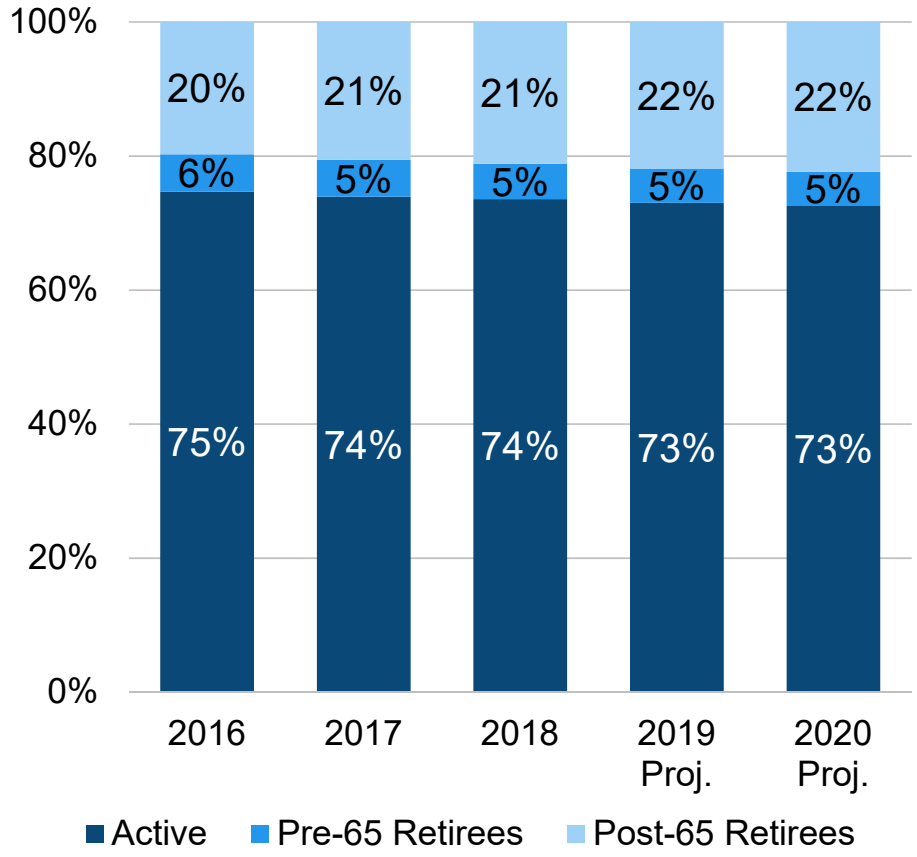
* Total Expenses offset by Pharmacy Savings

End of Year Assets

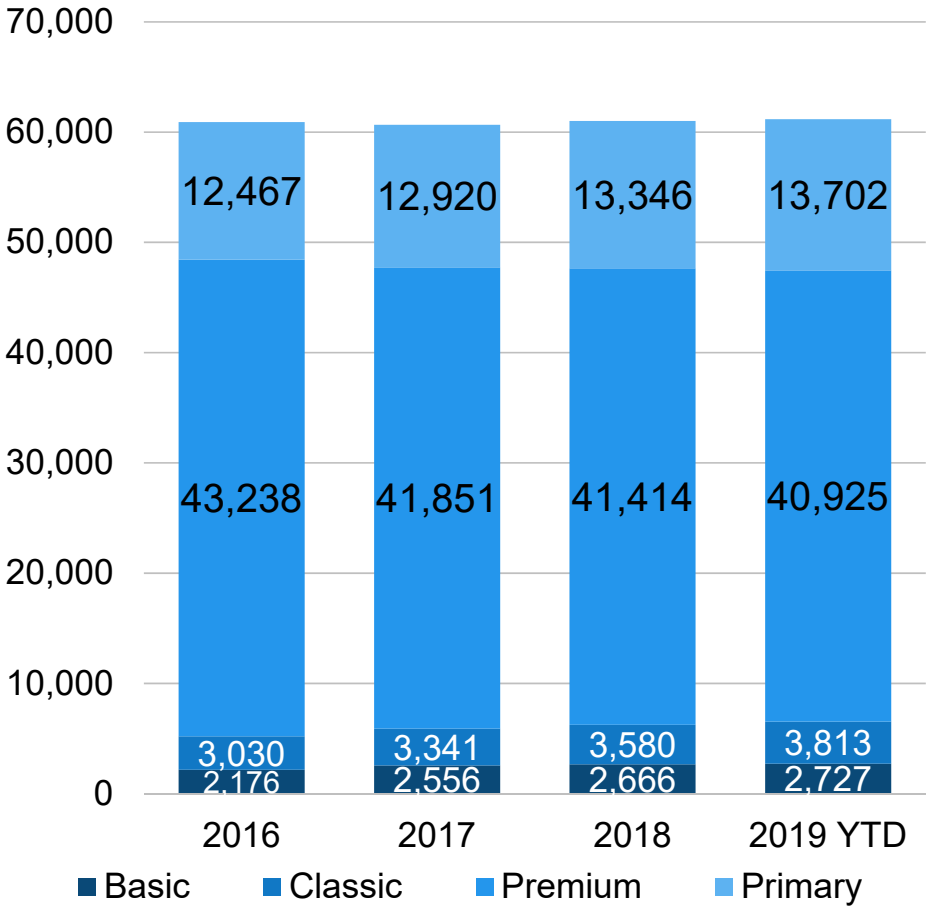


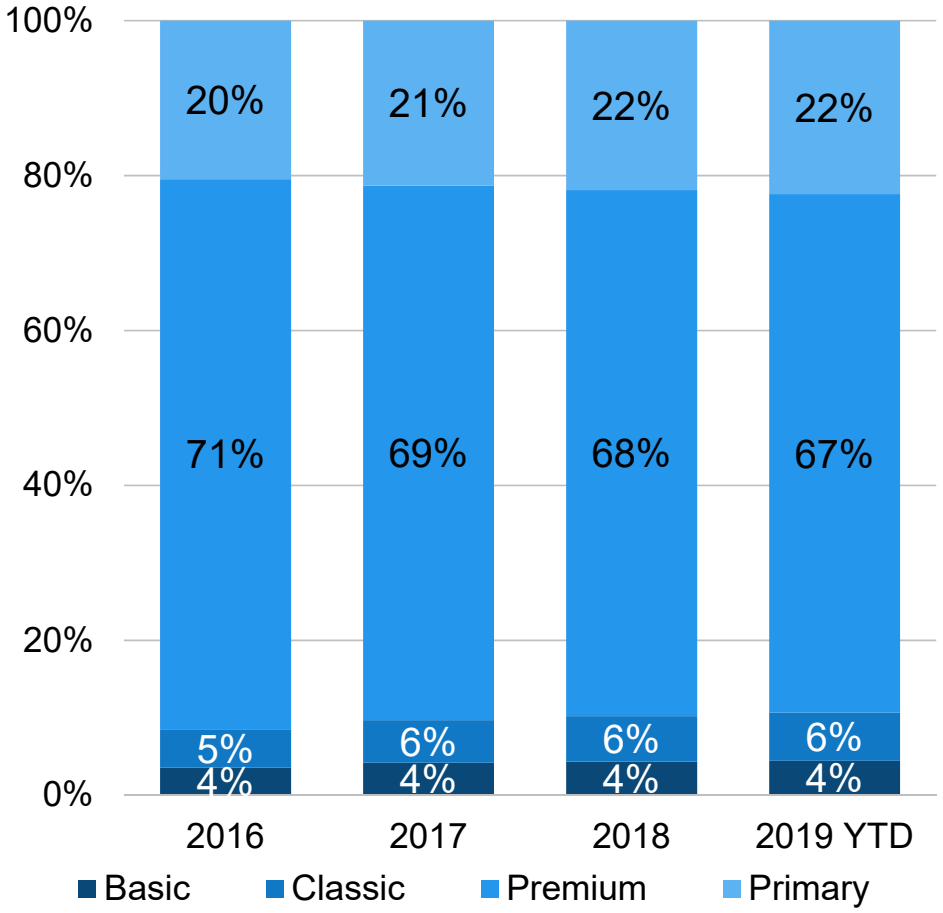
Average Membership by Status





Average Membership by Plan





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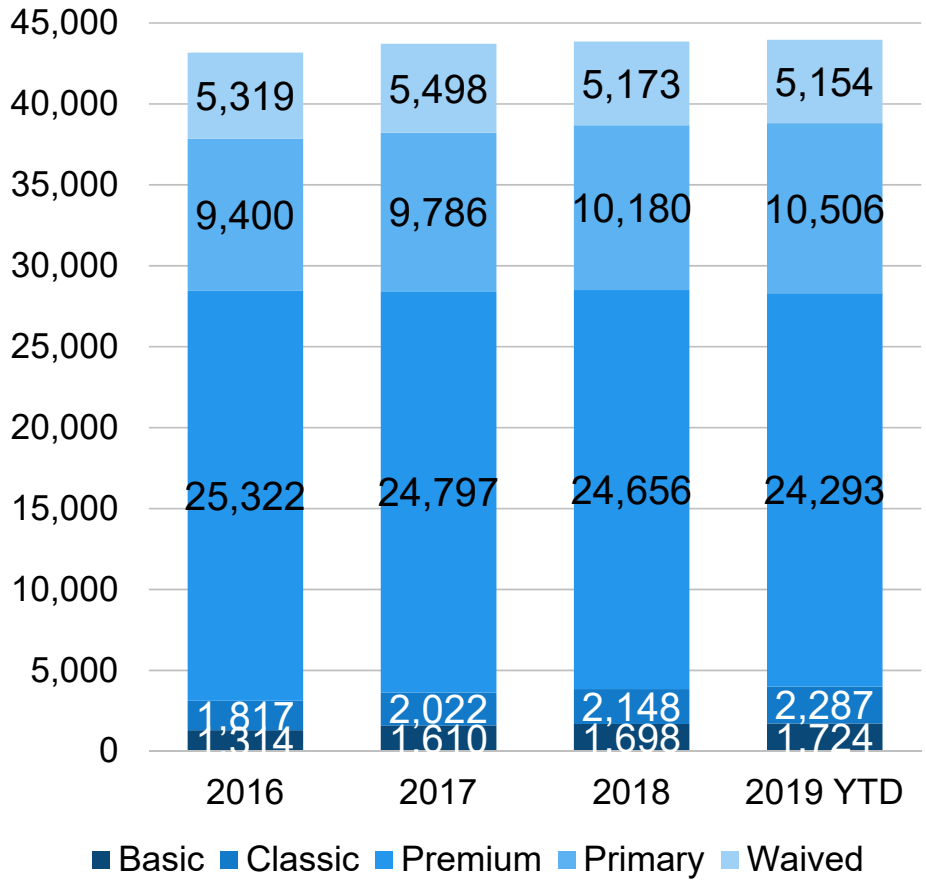
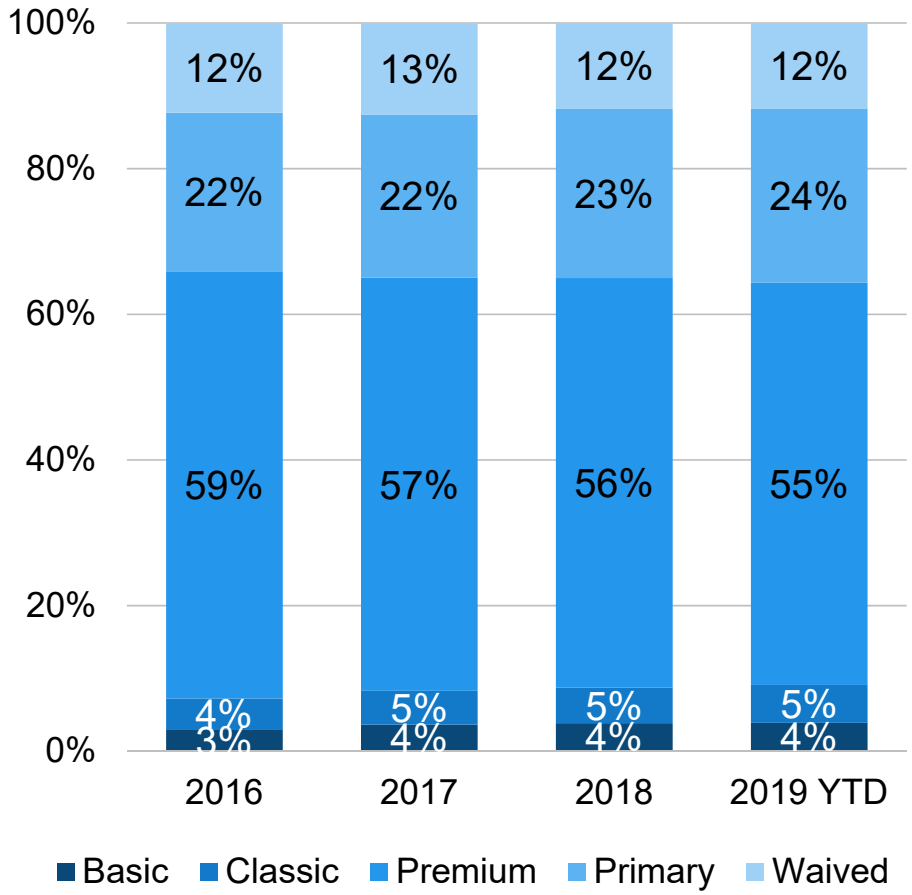
Average Enrollment (Subscribers) by Plan





Public School Employees (PSE)

Executive Summary

- Update projections show a reduction in net income of $5.8M in 2019 and $4.8M in 2020. Changes are driven primarily by:
  - Higher medical claim cost
  - Higher expenses
- 2019 plan experience
  - Estimated deficit of $2.4M
  - Estimated unallocated net assets at the end of 2019 is $11.2M
- 2020 plan experience
  - Allocated reserves for 2020 is $25.2M
  - Estimated deficit of $5.8M
  - Estimated unallocated net assets at the end of 2020 is $5.5M
  - No plan changes / 0% increase to employee contributions

Total Plan Experience

Funding	2018	2019	2020
PPE Funding[1]	N/A	$ 102.30	$ 105.69
Employee Contribution[2]	217.40	121.05	125.07
Dept of Ed Funding	88.10	88.10	88.10
Other	13.80	15.16	15.79
Total Income	$ 319.30	$ 326.60	$ 334.66
Medical Claims	$ (235.20)	$ (251.85)	$ (274.32)
Pharmacy Claims	(56.80)	(61.89)	(68.13)
Administration Fees[3]	(30.90)	(28.48)	(28.08)
Plan Administration	N/A	(2.51)	(2.59)
Total Expenses	$ (322.90)	$ (344.72)	$ (373.12)
Pharmacy Savings	$ -	$ 3.09	$ 7.47
Net Income / (Loss) Before Reserve Allocation	$ (3.60)	$ (15.03)	$ (30.99)
Allocation of Reserves	$ 4.50	$ 12.66	$ 25.22
Net Income / (Loss) After Reserve Allocation	$ 0.90	$ (2.37)	$ (5.77)

Average Membership			
Active Employees / Pre-65 Retirees	79,949	82,220	84,570
Post-65 Retirees	13,536	14,282	15,139
Total Enrolled	93,485	96,502	99,709

Total Income PMPM[4]	$ 288.64	$ 292.96	$ 300.78
Total Expenses PMPM[5]	$ (287.84)	$ (295.01)	$ (305.60)

[1] PPE Funding includes the minimum school district contributions and additional school distribution contributions

[2] 2018 Employee Contribution included PPE Funding and Allocation from Department of Education

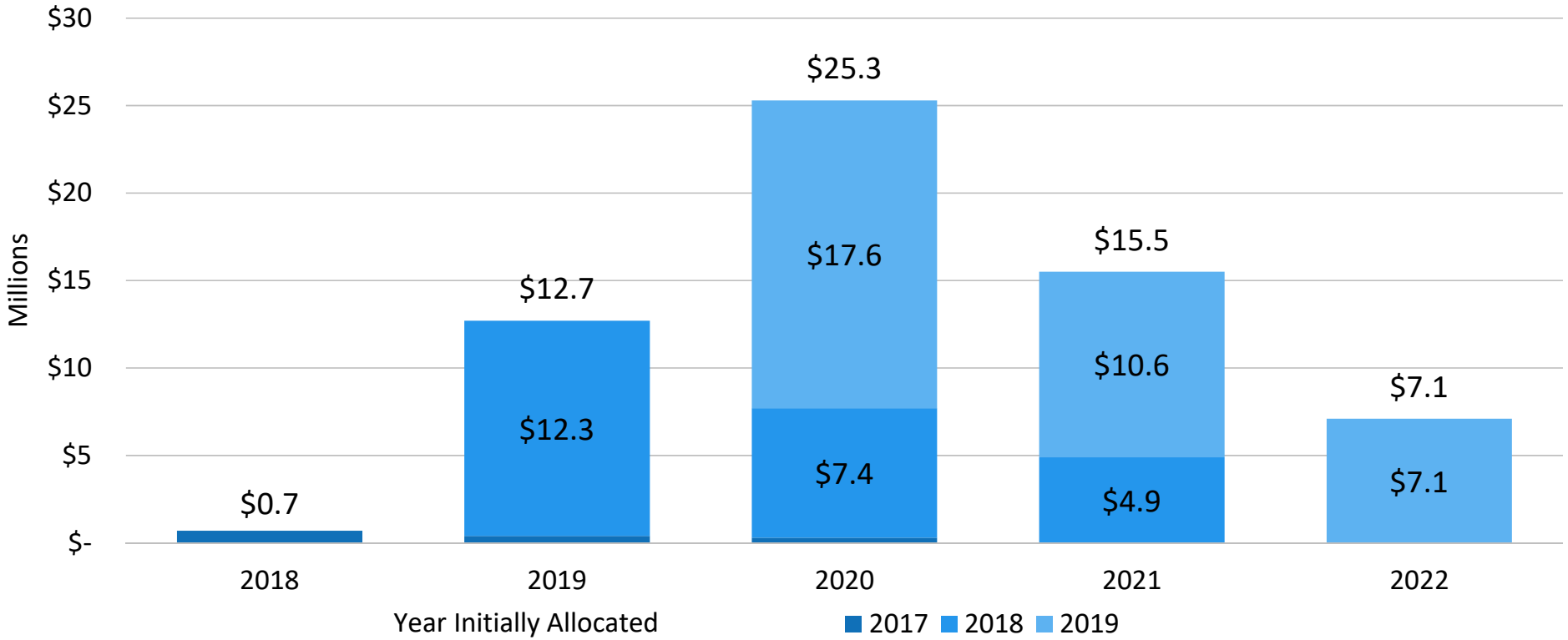
[3] 2018 Administration Fees included Plan Administration

[4] Allocation of Reserves included in Total Income

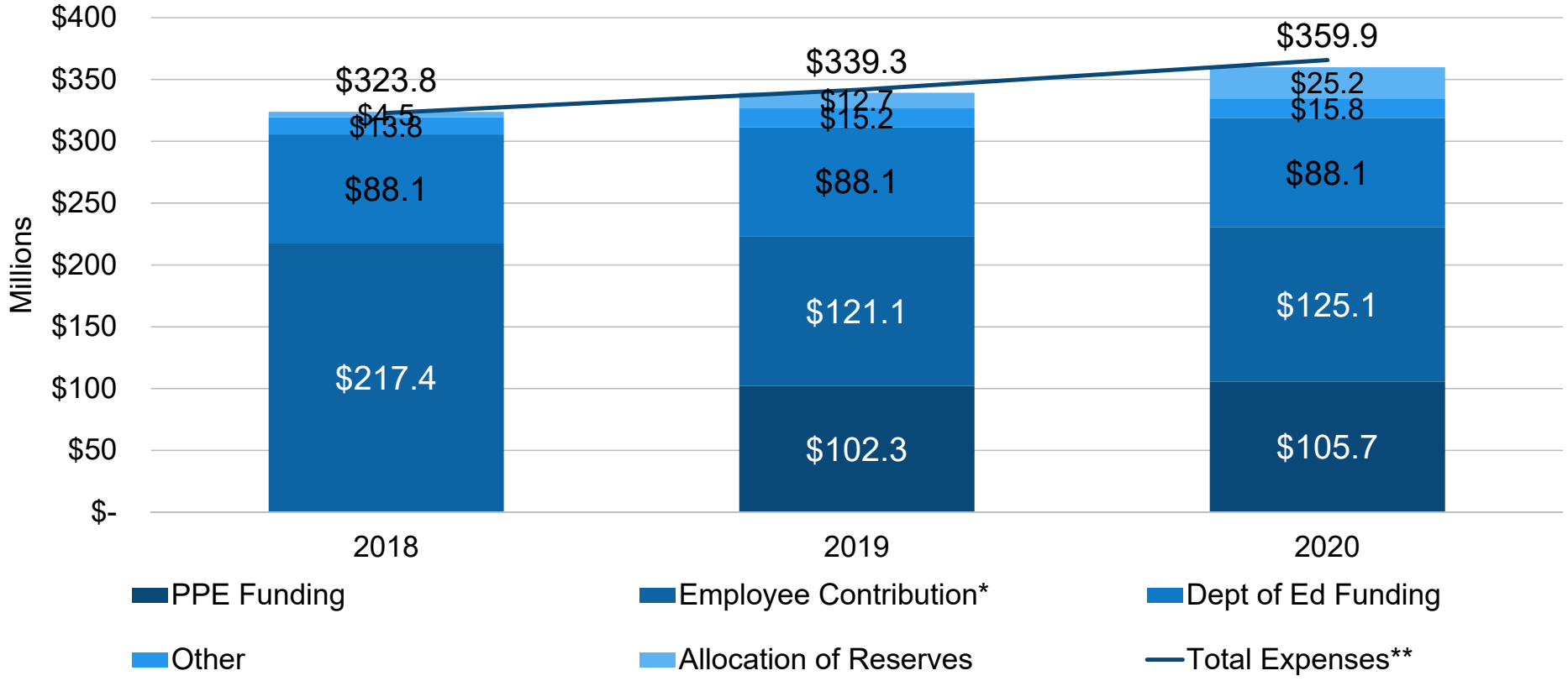
[5] Total Expenses offset by Pharmacy Savings

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

** Total Expenses offset by Pharmacy Savings

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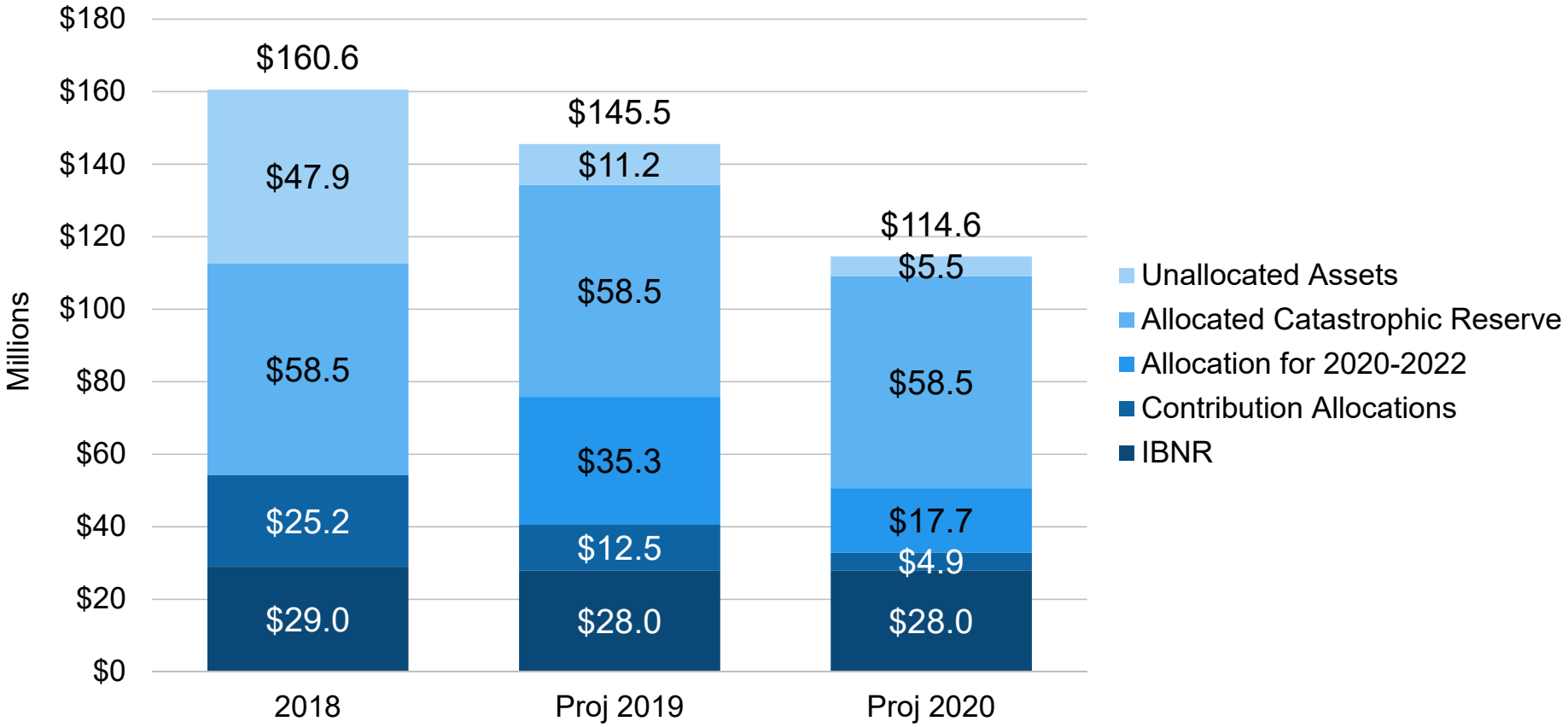
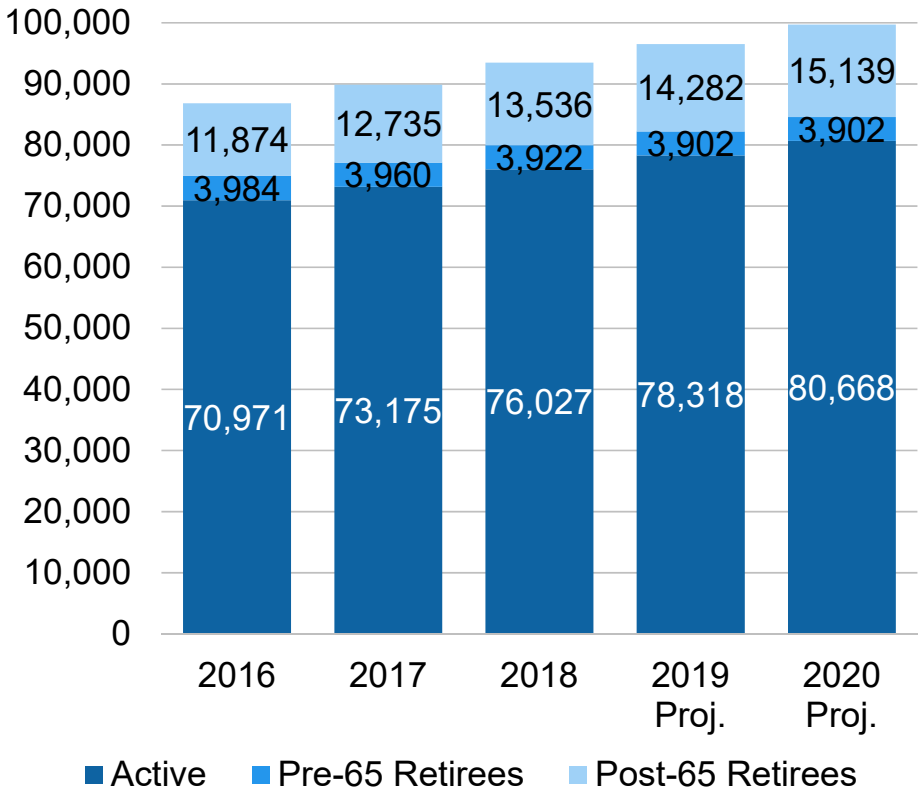
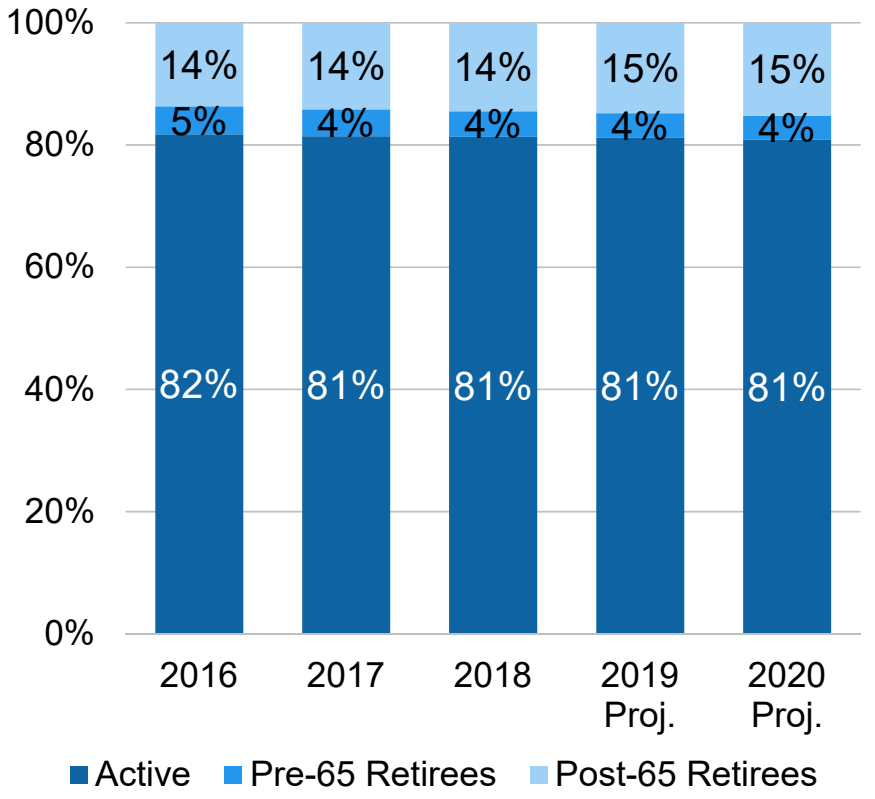
End of Year Assets

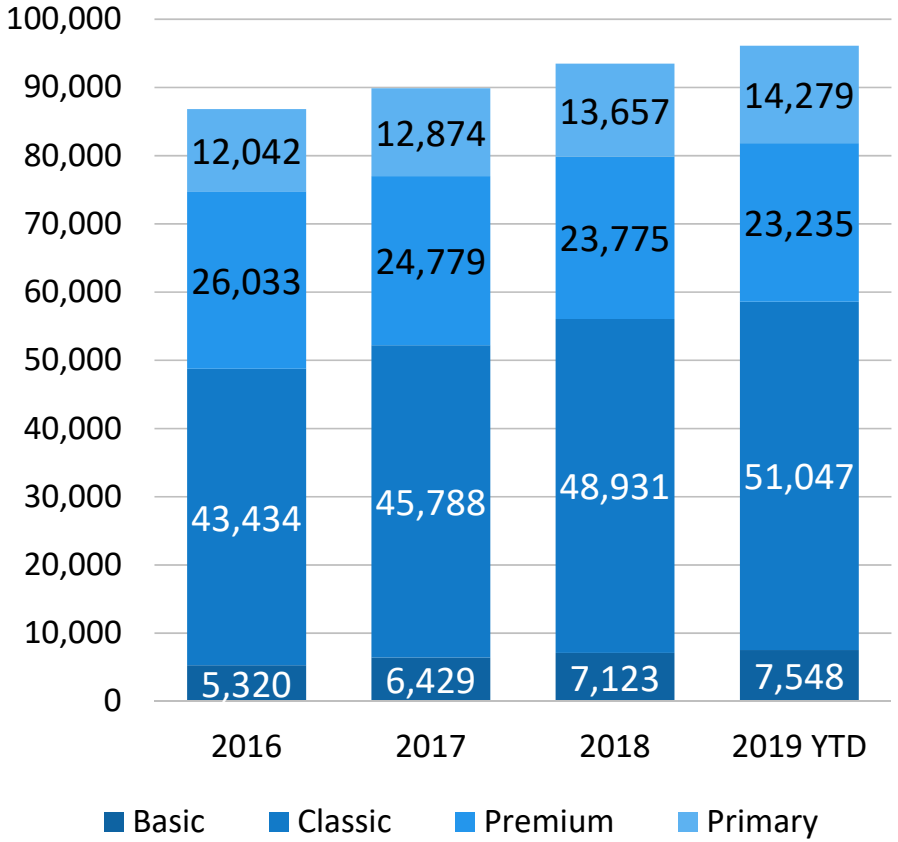


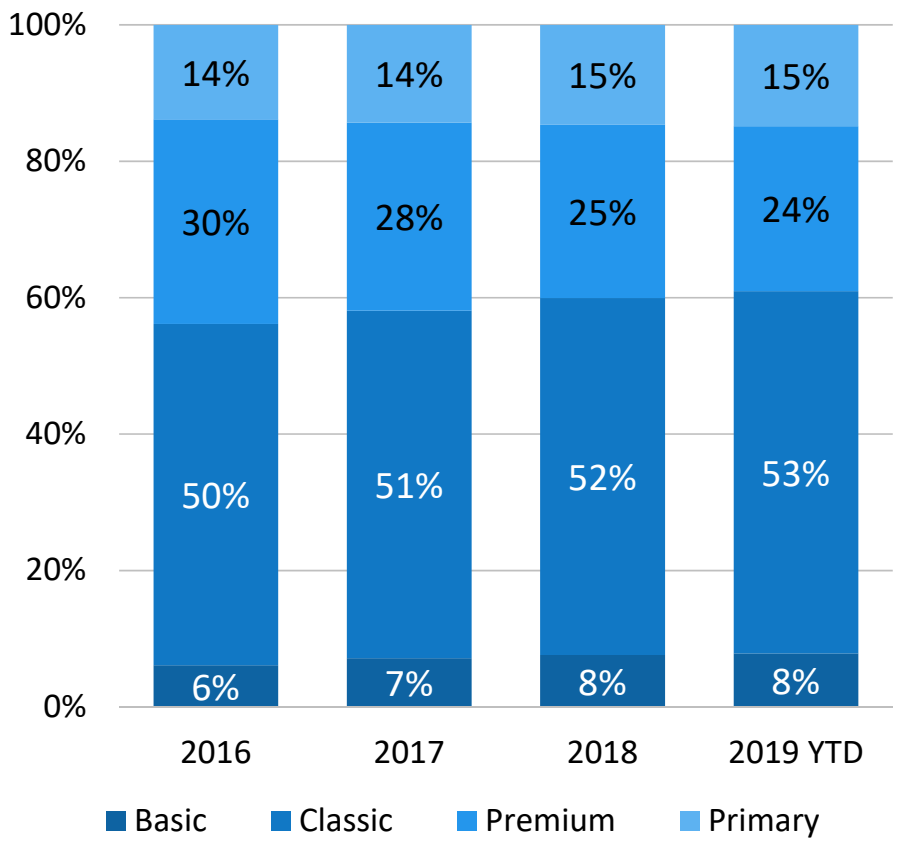
Average Membership by Status



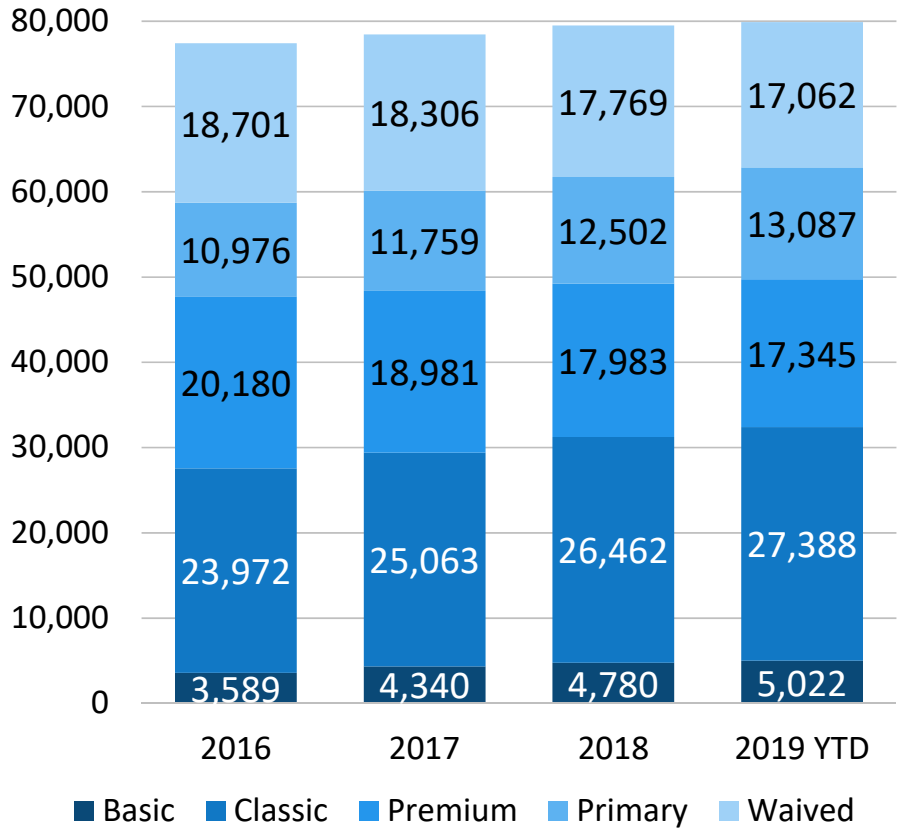


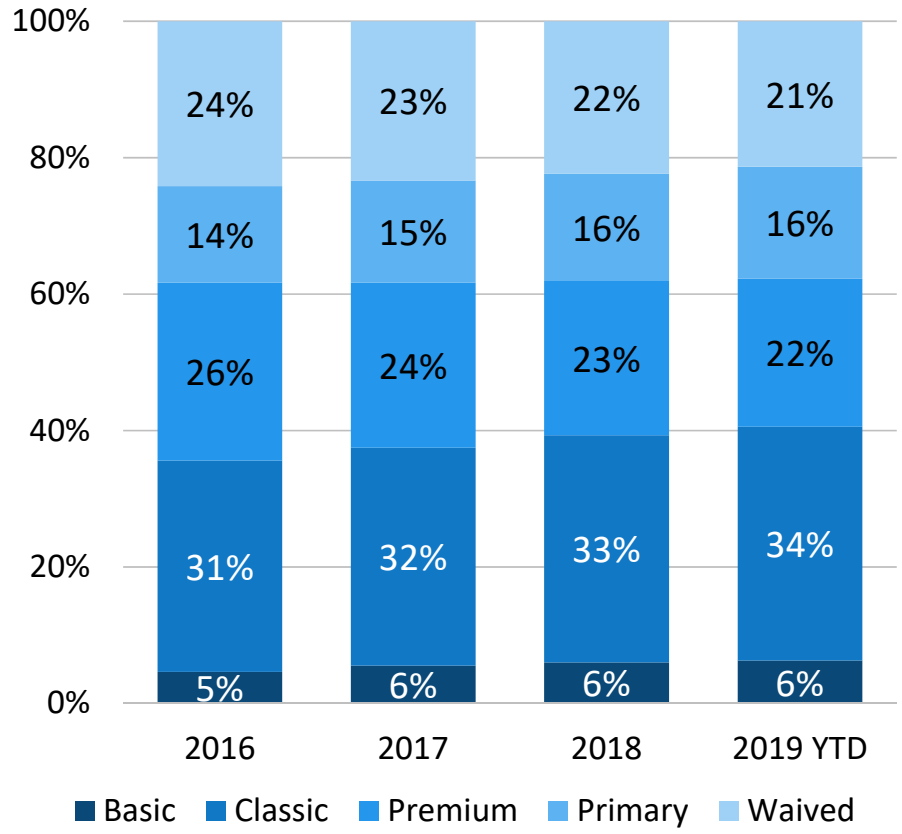
Average Membership by Plan





Average Enrollment (Subscribers) by Plan





Appendix

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	6.0% 5.0%	8.0% 8.0%

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 August 2019
  - Projected September – December 2019 based on historical seasonality pattern
  - Projected 2020 based on historical trend rates
- Pharmacy Savings
  - $1.5 million in savings per month beginning in August 2019. Allocated between ASE / PSE based on pharmacy claims expense.
  - Pharmacy claims starting to reflect savings beginning in July 2019
- QualChoice Run-out Administration Fees
  - Actual run-out fees through August 2019
- Plan Administration Expense
  - ASE - $3.81 PMPM for CY2019 ($3.81 PMPM for CY2020)
  - PSE - $2.17 PMPM for CY2019 ($2.17 PMPM for CY2020)

Assumptions & Methodology

Methodology

1. Summarized fee-for-service (FFS) medical and pharmacy claims incurred from August 1, 2018 to July 31, 2019 and paid from August 1, 2018 to September 30, 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 August 1, 2018 to July 31, 2019.
4. Divided the summarized incurred claims by the appropriate member months to calculate PMPMs.
5. 2019 Projection composed of actual claims experience from January 2019 – July 2019 along with projected claims experience from August 1, 2019 – December 31, 2019.
6. 2020 Projected the incurred claims PMPM from the midpoint of the experience period (February 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

Courtney White and Paul Sakhrani are Members of the American Academy of Actuaries and a Fellow of the Society of Actuaries and meet 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 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.

Milliman

Thank you

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