



## **AGENDA**

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

**January 17<sup>th</sup>, 2020  
10:00 a.m.**

**EBD Board Room – 501 Building, Suite 500**

- I. Call to Order..... Susan Gardner, Chair*
- II. Approval of November Minutes..... Susan Gardner, Chair*
- III. ASE-PSE November/December Financials..... Bonnie Casey, EBD Comptroller*
- IV. Flu Shot/Health Waste Calculator Update... Elizabeth Montgomery & Mike Motley, ACHI*
- V. Plan Update..... Paul Sakhrani & Courtney White, Milliman*
- VI. Director's Report ..... Chris Howlett, EBD Director*
- VII. Adjournment..... Susan Gardner, Chair*

#### **2020 Upcoming Meetings:**

**February 14<sup>th</sup>, March 13<sup>th</sup>, April 10<sup>th</sup>**

**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 January 17, 2020, at 10:00 a.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock, Arkansas.

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*Date | time 1/17/2020 10:00 AM | Meeting called to order by Susan Gardner, Chair*

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## In Attendance

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### Members Present

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

### Members Absent

Carla Haugen

### Others Present

Rhoda Classen, Shalada Toles, Bonnie Casey, EBD; Ronda Walthall, ARDOT; Mike Motley, ACHI; Takisha Sanders, Jessica Akins, HA; Courtney White, Paul Sakhrani, Milliman; Donna Morey, ARTA; Treg Long, ARTA; Sylvia Landers, Colonial Life; Stephen Carroll, AllCare Specialty; Oktawia DeYoung, Micah Bard, UAMS EBRx

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## Approval of Minutes by Susan Gardner, Chair

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### MOTION by Lilly-Palmer:

Move to approve the November 15, 2019 minutes.

Scott seconded; all were in favor.

### Minutes Approved.

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## ASE-PSE November/December Financials by Bonnie Casey, EBD Comptroller

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PSE for the month of November, we paid four (4) weeks of claims for both medical and pharmacy. The FICA savings received for the month was \$540,000, and \$5.9 million for the year. We had a net loss of \$2.6 million for the month and a net loss of \$10 million year-to-date. Net assets available are \$14.7 million.

PSE for the month of December, we paid four (4) weeks of claims for both medical and pharmacy. The FICA savings received for the month was \$539,000, and \$6.4 million for the year. We had a net loss of \$6 million for the month and a net loss of \$16 million year-to-date. Net assets available are \$8.2 million.

ASE for the month of November, we paid four (4) weeks of claims for both medical and pharmacy. We had a net gain of \$1.7 million for the month and a net gain of \$12.5 million year-to-date. Net assets available are \$5.9 million.

ASE for the month of December, we paid four (4) weeks of claims for both medical and pharmacy. We had a net gain of \$800,000 million for the month and a net gain of \$14.2 million year-to-date. Net assets available are \$7.6 million.

The projected vs. actual claims and expenditures report shows the monthly amounts are for November and December 2019 and YTD amounts are for November and December of 2019.

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### **Flu Shot/Health Waste Calculator Update by Mike Motley, ACHI**

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Motley addressed follow-up questions from the last meeting and discussed the upcoming update of Health Wasted Calculator analysis.

#### Discussion:

##### *Flu Shot*

Moran: Is that comparable to everywhere else?

Motley: I would say it is around that and possibly even a little bit lower. There is room to improve and bring those up.

##### *Vitamin D Screening*

Allen: If you aren't paying anything for the Vitamin D screening, why are you showing a cost on it?

Motley: For whatever reason some of these are being picked up and we can look into that more.

Allen: It has been a year and half since it was covered, so I don't understand why there is a cost if it is not being covered.

Motley: That is a fair question and we can go back and look into it more.

##### *Recommendations*

Moran: I see you are adding two new measures. Is one of them going to be the annual physical, because that is required from us right now? I would be interested in how that compares, I understand if you are healthy, but I thought the annual physical was just to make sure you stay that way.

Motley: I believe that should be one of the ones we look at. With this one, I think it is specifically related to the comprehensive physical and the lab testing. I think there are some nuances where this plan does require an annual wellness check where there is a baseline lab for new hires but not going forward.

Moran: So, it would be similar to a colonoscopy where you get your lab work every certain number of years.

Motley: Yeah, it would be along those lines.

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### **Plan Update by Paul Sakhrani & Courtney White, Milliman**

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

## ASE

- Updated projections show an increase in net income of \$2.2M in 2019 and decrease in net income of \$210K in 2020 (Changes shown relative to November board meeting).
  - Higher other income
  - Lower medical claims
  - Lower pharmacy savings
- 2019 plan experience
  - Estimated surplus of \$14.4M
  - Estimated unallocated net assets at the end of 2019 is \$8.8M
- 2020 plan experience
  - Allocated reserves for 2020 is \$25.1M
  - Estimated surplus of \$6.3M
  - Estimated unallocated net assets at the end of 2020 is \$15M
  - No plan changes / 5% increase in employee contributions

## PSE

- Updated projections show a reduction in net income of \$2.0M in 2019 and an increase income of \$50K in 2020 (Changes shown relative to November board meeting).
  - Higher medical claims
  - Lower pharmacy savings
- 2019 plan experience
  - Estimated deficit of \$2.3M
  - Estimated unallocated net assets at the end of 2019 is \$11.3M
- 2020 plan experience
  - Allocated reserves for 2020 is \$25.2M
  - Estimated deficit of \$4.5M
  - Estimated unallocated net assets at the end of 2020 is \$6.8M
  - Allocated reserves for 2020 is 25.3M
  - No plan changes / 0% increase to employee contributions

## Discussion:

### ASE

Howlett: From a Board perspective as well as the subcommittees, dealing with the 5% on the state side and what you reflected previously with the -0.5%, can you explain how we arrived at a needed 5% increase? If you were looking at the numbers and running a negative trend, why would you still need to have that 5%?

White: We have a benchmark, the Milliman Health Trend Guidelines, that takes data by different types of businesses and looks at trends in Arkansas. A lot of it will be driven by HealthAdvantage's book of business and the other natural carriers that are doing business here in Arkansas to show what the benchmark is. When we set the 5%, we looked at historical data for ASE and also looked at that benchmark to see if they were in the ballpark. It is not an exact science so much as an actuarial judgement.

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### **Director's Report by Chris Howlett, EBD Director**

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Howlett provided an update on the bus driver bill, a wellness update, and the need for a new committee. The catch behind the bus driver bill was, it requested that the respective superintendents

let us know who the individuals were so we could ascertain the fiscal impact based on the added people. We are estimating around 900 people. As far as wellness goes, we arrived at 83% complete after some anomalies and things that hadn't come through in November. We typically averaged around 89% for the last several years. It has been asked as to what that looked like, and do we know why someone happened to not receive the discount. We are cross walking that between unique members and some potential reasons why they didn't. We have had a process statutorily which this plan has been founded on which sets the parameters for EBD, the Board, and the subcommittees. The one for the Drug Utilization and Evaluation Committee is only about 25% of our spend. I would like a recommendation from the Benefits subcommittee that EBD be able to put together a medical version of that committee, to be called the Medical Utilization and Evaluation Committee. This will help to bring in medical physicians to advise on some of the medical procedures and other things. We would like to create a committee to evaluate the other 75% of our spend.

**MOTION** by Lilly-Palmer:

I make a motion to have a Medical Utilization and Evaluation Committee.

Scott seconded. All were in favor.

**Motion Approved.**

- Gardner: With the utilization of Catapult, you briefly talked about the wellness and not everyone participating, we don't really know if that is from the members not having a wellness physical or that they didn't carry through. For example, the tobacco portion and not carry through with their counseling.
- Howlett: Yes, we are going to have to drill that down. We know the numbers that we received on the primary care physician forms and Catapult. With Catapult, you won't have the same perspective or the same number of failure points unless they didn't do the tobacco component. With going to their primary care physician, there will be more options such as not completing their HRA, the tobacco cessation, and/or not having the lab come back.

**MOTION** by Scott:

I make a motion to adjourn the meeting.

Lilly-Palmer seconded; all were in favor.

**Meeting Adjourned.**

Arkansas State Employees (ASE) Financial Statement - January 1, 2019 through November 30, 2019									
	ASE SUBSCRIBERS					ASE MEMBERS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
ASE Basic	1,686	52	0	1,738		2,685	74	0	2,759
ASE Classic	2,347	74	0	2,421		3,922	105	0	4,027
ASE Premium	21,661	1,989	0	23,650		37,302	2,496	0	39,798
<b>SUBTOTAL</b>	<b>25,694</b>	<b>2,115</b>	<b>0</b>	<b>27,809</b>		<b>43,909</b>	<b>2,675</b>	<b>0</b>	<b>46,584</b>
Med Primary	0	197	10,587	10,784		0	411	13,616	14,027
<b>TOTAL</b>	<b>25,694</b>	<b>2,312</b>	<b>10,587</b>	<b>38,593</b>		<b>43,909</b>	<b>3,086</b>	<b>13,616</b>	<b>60,611</b>

REVENUES & EXPENDITURES		
	Current Month	Year to Date (11 Month)
<b>Funding</b>		
State Contribution	\$ 14,359,912	\$ 159,247,704
Employee Contribution	\$ 8,067,010	\$ 89,421,121
Other	\$ 1,186,023	\$ 20,953,218
Allocation of Reserves	\$ 1,808,667	\$ 19,895,334
<b>Total Funding</b>	<b>\$ 25,421,612</b>	<b>\$ 289,517,377</b>
<i>4 Weeks Medical &amp; Pharmacy Claims</i>		
<b>Expenses</b>		
Medical Expenses		
Claims Expense	\$ 15,035,645	\$ 176,622,518
Claims IBNR		\$ -
Medical Administration Fees	\$ 1,309,672	\$ 15,086,538
Refunds	\$ -	\$ -
Employee Assistance Plan (EAP)	\$ 41,740	\$ 459,110
Life Insurance	\$ 76,895	\$ 853,475
Pharmacy Expenses		
RX Claims	\$ 6,814,105	\$ 79,957,538
RX IBNR	\$ -	\$ -
RX Administration	\$ 85,873	\$ 1,312,896
Plan Administration	\$ 284,835	\$ 2,671,853
<b>Total Expenses</b>	<b>\$ 23,648,765</b>	<b>\$ 276,963,928</b>
<b>Net Income/(Loss)</b>	<b>\$ 1,772,847</b>	<b>\$ 12,553,449</b>

BALANCE SHEET	
<b>Assets</b>	
Bank Account	\$ 5,449,165
State Treasury	\$ 79,644,669
Due from Cafeteria Plan	\$ 9,126,181
Due from PSE	
Receivable from Provider	\$ -
Accounts Receivable	\$ 1,487,659
<b>Total Assets</b>	<b>95,707,673</b>
<b>Liabilities</b>	
Accounts Payable	\$ 2,087
Deferred Revenues	\$ 3,780
Due to Cafeteria	\$ (5,651)
Due to PSE	\$ 178,016
Health IBNR	\$ 24,800,000
RX IBNR	\$ 1,400,000
<b>Total Liabilities</b>	<b>\$ 26,378,231</b>
<b>Net Assets</b>	<b>\$ 69,329,442</b>
Less Reserves Allocated	
Premiums for Plan Year 1/1/19-12/31/19 (\$5,508,000 + \$2,826,000 + \$13,370,000)	\$ (1,808,666)
Premiums for Plan Year 1/1/20-12/31/20 (\$1,884,000 + \$8,020,000 + \$15,180,000)	\$ (25,084,000)
Premiums for Plan Year 1/1/21-12/31/21 (\$5,350,000 + \$9,108,000)	\$ (14,458,000)
Premiums for Plan Year 1/1/22-12/31/22 (\$6,072,000)	\$ (6,072,000)
Catastrophic Reserve (\$16,000,000)	\$ (16,000,000)
<b>Net Assets Available</b>	<b>\$ 5,906,776</b>

Arkansas State Employees (ASE) Financial Statement - January 1, 2019 through December 31, 2019									
	ASE SUBSCRIBERS					ASE MEMBERS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
ASE Basic	1,714	52	0	1,766		2,710	74	0	2,784
ASE Classic	2,317	71	0	2,388		3,884	100	0	3,984
ASE Premium	21,810	1,999	0	23,809		37,517	2,505	0	40,022
SUBTOTAL	25,841	2,122	0	27,963		44,111	2,679	0	46,790
Med Primary	0	10,617	198	10,815		0	13,654	414	14,068
TOTAL	25,841	12,739	198	38,778		44,111	16,333	414	60,858
REVENUES & EXPENDITURES									
						Current	Year to Date		
Funding						Month	(12 Month)		
1	State Contribution					\$ 14,359,912	\$ 173,607,616		
2	Employee Contribution					\$ 8,029,367	\$ 97,450,488		
3	Other					\$ 2,516,071	\$ 23,469,289		
4	Allocation of Reserves					\$ 1,808,666	\$ 21,704,000		
Total Funding						\$ 26,714,016	\$ 316,231,393		
4 Weeks Medical & Pharmacy Claims									
Expenses									
Medical Expenses									
5	Claims Expense					\$ 17,464,162	\$ 194,086,680		
6	Claims IBNR						\$ (900,000)		
7	Medical Administration Fees					\$ 1,280,716	\$ 16,367,254		
8	Refunds					\$ -	\$ -		
9	Employee Assistance Plan (EAP)					\$ 41,740	\$ 500,850		
	Life Insurance					\$ 76,928	\$ 930,403		
Pharmacy Expenses									
10	RX Claims					\$ 6,691,812	\$ 86,649,351		
11	RX IBNR					\$ -	\$ -		
12	RX Administration					\$ 118,677	\$ 1,431,573		
13	Plan Administration					\$ 208,167	\$ 2,880,020		
Total Expenses						\$ 25,882,202	\$ 301,946,130		
Net Income/(Loss)						\$ 831,814	\$ 14,285,263		
BALANCE SHEET									
Assets									
Bank Account						\$ 7,530,103			
State Treasury						\$ 79,644,669			
Due from Cafeteria Plan						\$ 9,126,181			
Due from PSE						\$ -			
Receivable from Provider						\$ (63,744)			
Accounts Receivable						\$ 393,297			
Total Assets							96,630,506		
Liabilities									
Accounts Payable						\$ 2,087			
Deferred Revenues						\$ 3,780			
Due to Cafeteria						\$ (5,504)			
Due to PSE						\$ 1,177,552			
Health IBNR						\$ 24,800,000			
RX IBNR						\$ 1,400,000			
Total Liabilities						\$ 27,377,915			
Net Assets							69,252,590		
Less Reserves Allocated									
Premiums for Plan Year 1/1/19-12/31/19 (\$5,508,000 + \$2,826,000 + \$13,370,000)						\$ -			
Premiums for Plan Year 1/1/20-12/31/20 (\$1,884,000 + \$8,020,000 + \$15,180,000)						\$ (25,084,000)			
Premiums for Plan Year 1/1/21-12/31/21 (\$5,350,000 + \$9,108,000)						\$ (14,458,000)			
Premiums for Plan Year 1/1/22-12/31/22 (\$6,072,000)						\$ (6,072,000)			
Catastrophic Reserve (\$16,000,000)						\$ (16,000,000)			
Net Assets Available						\$ 7,638,590			



Public School Employees (PSE) Financial Statement - January 1, 2019 through November 30, 2019									
	PSE SUBSCRIBERS					PSE MEMBERS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
PSE Basic	4,797	523	0	5,320		7,286	675	0	7,961
PSE Classic	25,795	2,228	0	28,023		49,341	2,668	0	52,009
PSE Premium	16,649	461	0	17,110		22,544	495	0	23,039
SUBTOTAL	47,241	3,212	0	50,453		79,171	3,838	0	83,009
Med Primary	0	13,480	61	13,541		0	126	14,666	14,792
TOTAL	47,241	16,692	61	63,994		79,171	3,964	14,666	97,801
REVENUES & EXPENDITURES									
						Current Month	Year to Date (11 Month)		
Funding									
Per Participating Employee Funding (PPE Funding)						\$ 8,612,298	\$ 93,778,463		
Employee Contribution						\$ 10,149,958	\$ 110,986,819		
Department of Education Funding						\$ 4,583,333	\$ 83,516,667		
Other						\$ 804,549	\$ 13,488,872		
Allocation of Reserves						\$ 1,054,667	\$ 11,601,334		
Total Funding						\$ 25,204,805	\$ 313,372,155		
4 Weeks Medical & Pharmacy Claims									
Expenses									
Medical Expenses									
Claims Expense						\$ 20,320,604	\$ 221,994,148		
Claims IBNR							\$ (1,000,000)		
Medical Administration Fees						\$ 1,884,296	\$ 23,125,571		
Refunds						\$ -	\$ -		
Employee Assistance Plan (EAP)						\$ 84,824	\$ 933,061		
Pharmacy Expenses						\$ -	\$ -		
RX Claims						\$ 5,011,184	\$ 55,695,190		
RX IBNR						\$ -	\$ -		
RX Administration						\$ 199,148	\$ 2,156,127		
Plan Administration						\$ 402,067	\$ 2,379,631		
Total Expenses						\$ 27,902,123	\$ 305,283,728		
Less DOE Allocation							\$ (18,100,000)		
Net Income/(Loss)						\$ (2,697,318)	\$ (10,011,573)		
BALANCE SHEET									
Assets									
Bank Account							\$ 19,769,628		
State Treasury							\$ 132,021,390		
Receivable from Provider							\$ -		
Accounts Receivable							\$ 4,091,545		
Due from ASE							\$ 187,802		
Total Assets							\$ 156,070,366		
Liabilities									
Accounts Payable							\$ 12,250		
Due to ASE							\$ -		
Deferred Revenues							\$ -		
Health IBNR							\$ 27,000,000		
RX IBNR							\$ 1,000,000		
Total Liabilities							\$ 28,012,250		
Net Assets							\$ 128,058,116		
Less Reserves Allocated									
Premiums for Plan Year 1/1/19-12/31/19 (\$396,000 + \$12,260,000)							\$ (1,054,666)		
Premiums for Plan Year 1/1/20-12/31/20 (\$264,000 + \$7,360,000 + \$17,630,000)							\$ (25,254,000)		
Premiums for Plan Year 1/1/21-12/31/21 (\$4,900,000 + \$10,578,000)							\$ (15,478,000)		
Premiums for Plan Year 1/1/22-12/31/22 (\$7,052,000)							\$ (7,052,000)		
Premium Assistance (FICA Savings)							\$ (5,932,627)		
Catastrophic Reserve (\$58,500,000)							\$ (58,500,000)		
Net Assets Available							\$ 14,786,823		



Public School Employees (PSE) Financial Statement - January 1, 2019 through Decedmbler 31, 2019										
	PSE SUBSCRIBERS					PSE MEMBERS				
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL	
PSE Basic	4,780	499	0	5,279		7,246	643	0	7,889	
PSE Classic	26,354	2,227	0	28,581		50,414	2,651	0	53,065	
PSE Premium	455	16,684	0	17,139		22,539	488	0	23,027	
SUBTOTAL	31,589	19,410	0	50,999		80,199	3,782	0	83,981	
Med Primary	0	13,518	60	13,578		0	14,705	121	14,826	
TOTAL	31,589	32,928	60	64,577		80,199	18,487	121	98,807	
REVENUES & EXPENDITURES										
						Current	Year to Date			
Funding						Month	(12 Month)			
Per Participating Employee Funding (PPE Funding)						\$ 8,615,362	\$ 102,393,825			
Employee Contribution						\$ 10,134,607	\$ 121,121,426			
Department of Education Funding						\$ 4,583,333	\$ 88,100,000			
Other						\$ 1,532,540	\$ 15,021,412			
Allocation of Reserves						\$ 1,054,666	\$ 12,656,000			
Total Funding						\$ 25,920,508	\$ 339,292,664			
4 Weeks Medical & Pharmacy Claims										
Expenses										
Medical Expenses										
Claims Expense						\$ 24,223,277	\$ 246,217,425			
Claims IBNR							\$ (1,000,000)			
Medical Administration Fees						\$ 2,044,799	\$ 25,170,370			
Refunds						\$ -	\$ -			
Employee Assistance Plan (EAP)						\$ 84,824	\$ 933,061			
Pharmacy Expenses						\$ -	\$ -			
RX Claims						\$ 5,230,189	\$ 60,925,379			
RX IBNR						\$ -	\$ -			
RX Administration						\$ 199,322	\$ 2,355,449			
Plan Administration						\$ 149,966	\$ 2,614,421			
Total Expenses						\$ 31,932,378	\$ 337,216,106			
Less DOE Allocation							\$ (18,100,000)			
Net Income/(Loss)						\$ (6,011,869)	\$ (16,023,442)			
BALANCE SHEET										
Assets										
Bank Account							\$ 18,214,148			
State Treasury							\$ 128,021,390			
Receivable from Provider							\$ -			
Accounts Receivable							\$ 1,590,847			
Due from ASE							\$ 1,177,552			
Total Assets							\$ 149,003,937			
Liabilities										
Accounts Payable							\$ 12,357			
Due to ASE							\$ -			
Deffered Revenues							\$ -			
Health IBNR							\$ 27,000,000			
RX IBNR							\$ 1,000,000			
Total Liabilities							\$ 28,012,357			
Net Assets							\$ 120,991,581			
Less Reserves Allocated										
Premiums for Plan Year 1/1/19-12/31/19 (\$396,000 + \$12,260,000)							\$ -			
Premiums for Plan Year 1/1/20-12/31/20 (\$264,000 + \$7,360,000 + \$17,630,000)							\$ (25,254,000)			
Premiums for Plan Year 1/1/21-12/31/21 (\$4,900,000 + \$10,578,000)							\$ (15,478,000)			
Premiums for Plan Year 1/1/22-12/31/22 (\$7,052,000)							\$ (7,052,000)			
Premium Assistance (FICA Savings)							\$ (6,472,407)			
Catastrophic Reserve (\$58,500,000)							\$ (58,500,000)			
Net Assets Available							\$ 8,235,174			

Arkansas State Employees (ASE) Financials - January 1, 2018 through November 30, 2018									
BASIC CLASSIC PREMIUM PRIMARY TOTAL	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
	1684	49		1733		2649	72		2721
	2159	70		2229		3592	97		3689
	22248	2008		24256		38185	2509		40694
		10208	205	10413			13185	428	13613
26091	12335	205	38631	44426	15863	428	60717		

REVENUES & EXPENDITURES	
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<b>Funding</b>	<b>Current Month</b>	<b>Year to Date (11 Month)</b>
State Contribution	\$ 14,578,144	\$ 160,133,372
Employee Contribution	\$ 8,011,482	\$ 88,662,821
Other	\$ 522,512	\$ 18,155,859
Allocation of Reserves	\$ 1,501,000	\$ 16,511,000
<b>Total Funding</b>	<b>\$ 24,613,138</b>	<b>\$ 266,952,052</b>
5 wks medical and pharmacy claims		
<b>Expenses</b>		
Medical Expenses		
Claims Expense	\$ 18,599,198	\$ 184,375,521
Claims IBNR	\$ -	\$ -
Medical Administration Fees	\$ 1,209,092	\$ 13,398,104
Refunds	\$ -	\$ -
Employee Assistance Program (EAP)	\$ 54,189	\$ 598,210
Life Insurance	\$ 78,100	\$ 863,000
Pharmacy Expenses		
RX Claims	\$ 7,865,287	\$ 76,020,198
RX IBNR	\$ -	\$ (600,000)
RX Administration	\$ 246,388	\$ 1,349,235
Plan Administration	\$ 632,042	\$ 4,474,639
<b>Total Expenses</b>	<b>\$ 28,684,297</b>	<b>\$ 280,478,908</b>
<b>Net Income/(Loss)</b>	<b>\$ (4,071,159)</b>	<b>\$ (13,526,856)</b>

<b>BALANCE SHEET</b>	
Assets	

ASSETS	
Bank Account	\$ 1,761,023

State Treasury	\$ 97,233,794
Due from Cafeteria Plan	\$ 5,949,466
Due from PSE	
Receivable from Provider	\$ -
Accounts Receivable	\$ 372,614
<b>Total Assets</b>	<b>\$ 105,316,896</b>

<b>Liabilities</b>	
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Accounts Payable	\$ 1,076
Deferred Revenues	\$ 3,780
Due to Cafeteria	\$ (1,003)
Due to PSE	\$ 187,987
Health IBNR	\$ 26,500,000
RX IBNR	\$ 600,000
<b>Total Liabilities</b>	<b>\$ 27,291,840</b>

<b>Net Assets</b>	\$ 78,025,057
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Less Reserves Allocated	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1
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Premiums for Plan Year 1/1/18 - 12/31/18 (\$5,040,000 + \$8,262,000 + \$4,710,000)	\$ (1,501,000)
Premiums for Plan Year 1/1/19 - 12/31/19 (\$5,508,000 + \$2,826,000+\$13,370,000)	\$ (21,704,000)
Premiums for Plan Year 1/1/20 - 12/31/20 (\$1,884,000+\$8,020,000)	\$ (9,904,000)
Premiums for Plan Year 1/1/21 - 12-31/21 (\$5,350,000)	\$ (5,350,000)
Catastrophic Reserve (2017 \$20,600,000)	\$ (30,600,000)
<b>Net Assets Available</b>	<b>\$ 8,966,057</b>

Arkansas State Employees (ASE) Financials - January 1, 2018 through December 31, 2018											
BASIC CLASSIC PREMIUM PRIMARY TOTAL	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS					
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL		
		1659	48			1707		2617	71		2688
		2144	71			2215		3594	98		3692
		22511	2012			24523		38628	2518		41146
			10249	201		10450			13199	419	13618
	26314	12380	201	38895		44839	15886	419	61144		

[illegible]

	Current Month	Year to Date (12 Month)
<b>Funding</b>		
State Contribution	\$ 14,575,624	\$ 174,708,996
Employee Contribution	\$ 7,989,326	\$ 96,652,147
Other	\$ 1,545,730	\$ 19,701,589
Allocation of Reserves	\$ 1,501,000	\$ 18,012,000
<b>Total Funding</b>	<b>\$ 25,611,680</b>	<b>\$ 291,062,732</b>
4 wks medical and pharmacy claims		
<b>Expenses</b>		
Medical Expenses		
Claims Expense	\$ 17,006,829	\$ 201,382,350
Claims IBNR	\$ -	
Medical Administration Fees	\$ 1,212,675	\$ 14,610,780
Refunds	\$ -	
Employee Assistance Program (EAP)	\$ 54,114	\$ 652,324
Life Insurance	\$ 77,998	\$ 940,998
Pharmacy Expenses		
RX Claims	\$ 6,530,878	\$ 82,551,076
RX IBNR		\$ (600,000)
RX Administration	\$ 119,647	\$ 1,468,882
Plan Administration	\$ 462,269	\$ 4,936,908
<b>Total Expenses</b>	<b>\$ 25,002,141</b>	<b>\$ 305,943,317</b>
<b>Net Income/(Loss)</b>	<b>\$ 609,539</b>	<b>\$ (14,880,585)</b>

BALANCE SHEET	
Assets	

<b>ASSETS</b>	
Bank Account	\$ 795,071

State Treasury	\$ 97,440,202
Due from Cafeteria Plan	\$ 5,949,466
Due from PSE	
Receivable from Provider	
Accounts Receivable	\$ (221,449)
<b>Total Assets</b>	<b>\$ 103,963,290</b>

<b>Liabilities</b>	
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Accounts Payable	\$ 1,924
Deferred Revenues	\$ 3,780
Due to Cafeteria	\$ (1,479)
Due to PSE	\$ 187,738
Health IBNR	\$ 26,500,000
RX IBNR	\$ 600,000
<b>Total Liabilities</b>	<b>\$ 27,291,962</b>

Net Assets	\$ 76,671,328
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Less Reserves Allocated	\$	-
Premiums for Plan Year 1/1/18 - 12/31/18 (\$5,040,000 + \$8,262,000 + \$4,710,000)	\$	-
Premiums for Plan Year 1/1/19 - 12/31/19 (\$5,508,000 + \$2,826,000+\$13,370,000)	\$	(21,704,000)
Premiums for Plan Year 1/1/20 - 12/31/20 (\$1,884,000+\$8,020,000)	\$	(9,904,000)
Premiums for Plan Year 1/1/21 - 12-31/21 (\$5,350,000)	\$	(5,350,000)
Catastrophic Reserve (2017 \$20,600,000)	\$	(30,600,000)
<b>Net Assets Available</b>	<b>\$</b>	<b>9,113,328</b>



REVISED Public School Employees (PSE) Financials - January 1, 2018 through November 30, 2018									
	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	4543	473		5016		6839	622		7461
CLASSIC	24774	2188		26962		47192	2589		49781
PREMIUM	17192	545		17737		23033	587		23620
PRIMARY		12851	56	12907			13975	114	14089
TOTAL	46509	16057	56	62622		77064	17773	114	94951
REVENUES & EXPENDITURES									
Funding									
						Current Month	Year to Date (11 Month)		
Per Participating Employee Funding (PPE Funding)						\$ 8,407,887	\$ 91,481,985		
Employee Contribution						\$ 9,868,834	\$ 107,577,003		
Department of Education \$35,000,000 & \$15,000,000 & Other Funding						\$ 4,583,333	\$ 83,516,667		
Other						\$ 1,123,194	\$ 12,541,460		
Allocation of Reserves						\$ 1,883,333	\$ 20,716,663		
Total Funding						\$ 25,866,581	\$ 315,833,778		
5 wks medical and pharmacy claims									
Expenses									
Medical Expenses									
Claims Expense						\$ 23,363,960	\$ 211,174,873		
Claims IBNR							\$ 2,300,000		
Medical Administration Fees						\$ 2,028,239	\$ 20,696,568		
Refunds						\$ -			
Employee Assistance Program (EAP)						\$ 80,288	\$ 872,382		
Pharmacy Expenses									
RX Claims						\$ 5,911,595	\$ 52,089,047		
RX IBNR						\$ -	\$ (400,000)		
RX Administration						\$ 72,057	\$ 2,096,239		
Plan Administration						\$ 351,696	\$ 4,725,287		
Total Expenses						\$ 31,807,835	\$ 293,554,396		
Less DOE Allocation							\$ (18,100,000)		
Net Income/(Loss)						\$ (5,941,254)	\$ 4,179,382		
BALANCE SHEET									
Assets									
Bank Account							\$ 12,979,843		
State Treasury							\$ 142,807,802		
Receivable from Provider							\$ -		
Accounts Receivable							\$ 9,759,944		
Due from ASE							\$ 187,987		
Total Assets							\$ 165,735,575		
Liabilities									
Accounts Payable							\$ 2,009		
Due to ASE									
Deferred Revenues							\$ -		
Health IBNR							\$ 28,000,000		
RX IBNR							\$ 1,000,000		
Total Liabilities							\$ 29,002,009		
Net Assets							\$ 136,733,566		
Less Reserves Allocated									
Premiums for Plan Year 1/1/18 - 12/31/18 (\$3,840,000 + \$660,000+18,100,000 DOE)							\$ (1,883,333)		
Premiums for Plan Year 1/1/19 - 12/31/19 (\$396,000+12,260,000)							\$ (12,656,000)		
Premiums for Plan Year 1/1/20 - 12/31/20 (\$264,000+7,360,000)							\$ (7,624,000)		
Premiums for Plan Year 1/1/21 - 12/31/21(\$4,900,000)							\$ (4,900,000)		
Premium Assistance (FICA Savings)							\$ (5,713,696)		
Catastrophic Reserve (2017 \$58,500,000)							\$ (58,500,000)		
Net Assets Available							\$ 45,456,537		

REVISED Public School Employees (PSE) Financials - January 1, 2018 through December 31, 2018									
BASIC CLASSIC PREMIUM PRIMARY TOTAL	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
	4546	460		5006		6908	608		7516
	25357	2174		27531		48451	2572		51023
	17126	531		17657		22941	567		23508
		12873	51	12924		13995	102	14097	
TOTAL	47029	16038	51	63118		78300	17742	102	96144
REVENUES & EXPENDITURES									
Funding						Current Month	Year to Date (12 Month)		
Per Participating Employee Funding (PPE Funding)						\$ 8,412,642	\$ 99,894,627		
Employee Contribution						\$ 9,842,329	\$ 117,419,332		
Department of Education \$35,000,000 & \$15,000,000 & Other Funding						\$ 4,583,333	\$ 88,100,000		
Other						\$ 1,237,800	\$ 13,779,260		
Allocation of Reserves						\$ 1,883,333	\$ 22,599,996		
Total Funding						\$ 25,959,437	\$ 341,793,215		
4 wks medical and pharmacy claims									
Expenses									
Medical Expenses									
Claims Expense						\$ 21,705,653	\$ 232,880,526		
Claims IBNR							\$ 2,300,000		
Medical Administration Fees						\$ 1,911,173	\$ 22,607,741		
Refunds						\$ -			
Employee Assistance Program (EAP)						\$ 80,460	\$ 952,842		
Pharmacy Expenses									
RX Claims						\$ 4,916,943	\$ 57,005,990		
RX IBNR						\$ -	\$ (400,000)		
RX Administration						\$ 194,258	\$ 2,290,497		
Plan Administration						\$ 430,160	\$ 5,155,447		
Total Expenses						\$ 29,238,647	\$ 322,793,044		
Less DOE Allocation							\$ (18,100,000)		
Net Income/(Loss)						\$ (3,279,210)	\$ 900,171		
BALANCE SHEET									
Assets									
Bank Account							\$ 9,357,005		
State Treasury							\$ 140,114,775		
Receivable from Provider							\$ -		
Accounts Receivable							\$ 10,913,515		
Due from ASE							\$ 187,738		
Total Assets							\$ 160,573,032		
Liabilities									
Accounts Payable							\$ 2,009		
Due to ASE									
Deferred Revenues							\$ -		
Health IBNR							\$ 28,000,000		
RX IBNR							\$ 1,000,000		
Total Liabilities							\$ 29,002,009		
Net Assets							\$ 131,571,023		
Less Reserves Allocated									
Premiums for Plan Year 1/1/18 - 12/31/18 (\$3,840,000 + \$660,000+18,100,000 DOE)							\$ -		
Premiums for Plan Year 1/1/19 - 12/31/19 (\$396,000+12,260,000)							\$ (12,656,000)		
Premiums for Plan Year 1/1/20 - 12/31/20 (\$264,000+7,360,000)							\$ (7,624,000)		
Premiums for Plan Year 1/1/21 - 12/31/21(\$4,900,000)							\$ (4,900,000)		
Premium Assistance (FICA Savings)							\$ (6,235,993)		
Catastrophic Reserve (2017 \$58,500,000)							\$ (58,500,000)		
Net Assets Available							\$ 41,655,030		

## PROJECTED PAID CLAIMS AND EXPENSES BY MONTH

### PSE

November 2019

#### Medical Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
23,960,000	25,987,342	2,027,342

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
202,680,000	201,673,544	(1,006,456)

Note: IBNR no change

#### Pharmacy Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
7,000,000	6,336,347	(663,653)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
55,440,000	50,684,005	(4,755,995)

Note: IBNR no change

#### Expenses/Other

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
2,750,000	2,434,966	(315,034)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
29,990,000	25,024,055	(4,965,945)

### ASE

November 2019

#### Medical Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
18,010,000	15,035,645	(2,974,355)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
174,620,000	176,622,518	2,002,518

Note: IBNR no change

#### Pharmacy Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
9,040,000	6,814,105	(2,225,895)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
81,540,000	79,957,538	(1,582,462)

Note: IBNR no change

#### Expenses/Other

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
2,140,000	1,799,015	(340,985)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
23,810,000	20,383,872	(3,426,128)



## PROJECTED PAID CLAIMS AND EXPENSES BY MONTH

### PSE

December 2019

#### Medical Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
18,320,000	24,223,277	5,903,277

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
221,000,000	246,217,425	25,217,425

Note: IBNR no change

#### Pharmacy Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
6,070,000	5,230,189	(839,811)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
61,510,000	60,925,379	(584,621)

Note: IBNR no change

#### Expenses/Other

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
2,750,000	2,478,911	(271,089)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
32,740,000	30,073,301	(2,666,699)

### ASE

December 2019

#### Medical Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
14,760,000	16,564,162	1,804,162

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
189,380,000	194,086,680	4,706,680

Note: IBNR no change

#### Pharmacy Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
7,260,000	6,691,821	(568,179)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
88,800,000	86,649,351	(2,150,649)

Note: IBNR no change

#### Expenses/Other

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
2,140,000	2,626,228	486,228

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
25,950,000	21,210,099	(4,739,901)

## **NOTES FOR November & December 2019 FINANCIALS**

### **PSE For November 2019**

- We paid 4 weeks of claims for both medical and pharmacy.
- FICA Savings received for the month was \$540,000. Total FICA savings for the year was \$5.9 million
- We had a net loss of \$2.6 million for the month and a net loss of \$10 million year-to-date – Line 16.
- Net Assets available are \$14.7 million – Line 34.

### **PSE For December 2019**

- We paid 4 weeks of claims for both medical and pharmacy.
- FICA Savings received for the month was \$539,000. Total FICA savings for the year was \$6.4 million
- We had a net loss of \$6 million for the month and a net loss of \$16 million year-to-date – Line 16.
- Net Assets available are \$8.2million – Line 34.

### **ASE For November 2019**

- We paid 4 weeks of claims for both medical and pharmacy.
- We had a net gain of \$1.7 million for the month and a net gain of \$12.5 million year-to-date – Line 14.
- Net Assets available are \$5.9 million – Line 33.

### **ASE For December 2019**

- We paid 4 weeks of claims for both medical and pharmacy.
- We had a net gain of \$800,000 for the month and a net gain of \$14.2 million year-to-date – Line 14.
- Net Assets available are \$7.6 million – Line 33.

The projected vs. actual claims and expenditures reports show the monthly amounts for November and December 2019 and the year-to-date amounts for November and December of 2019.

# JANUARY 2020 BENEFITS SUBCOMMITTEE PRESENTATION

Mike Motley, MPH  
Director, Analytics

Izzy Montgomery, MPA  
Policy Analyst

1.17.2020

# FLU VACCINATION RATES AMONG EBD MEMBERS

Flu Season	Total Members with Flu Vaccine	Total Member Enrollment	Percentage of Total Members
FY 2013	51,574	148,180	35%
FY 2014	62,444	148,510	42%
FY 2015	51,481	146,293	35%
FY 2016	52,361	147,704	35%
FY 2017	46,100	150,002	31%
FY 2018	57,452	152,724	37%
FY 2019	59,626	156,983	38%



# OBJECTIVE

Review updated Health Waste Calculator analysis assessing low-value services within the plan



# HEALTH WASTE CALCULATOR BACKGROUND

- MedInsight Health Waste Calculator is a tool which identifies low-value services and spending
- ACHI utilized tool to examine common treatments deemed to be low-value or potentially unnecessary
- Two additional states have published reports based on findings from this tool, including Virginia and Washington





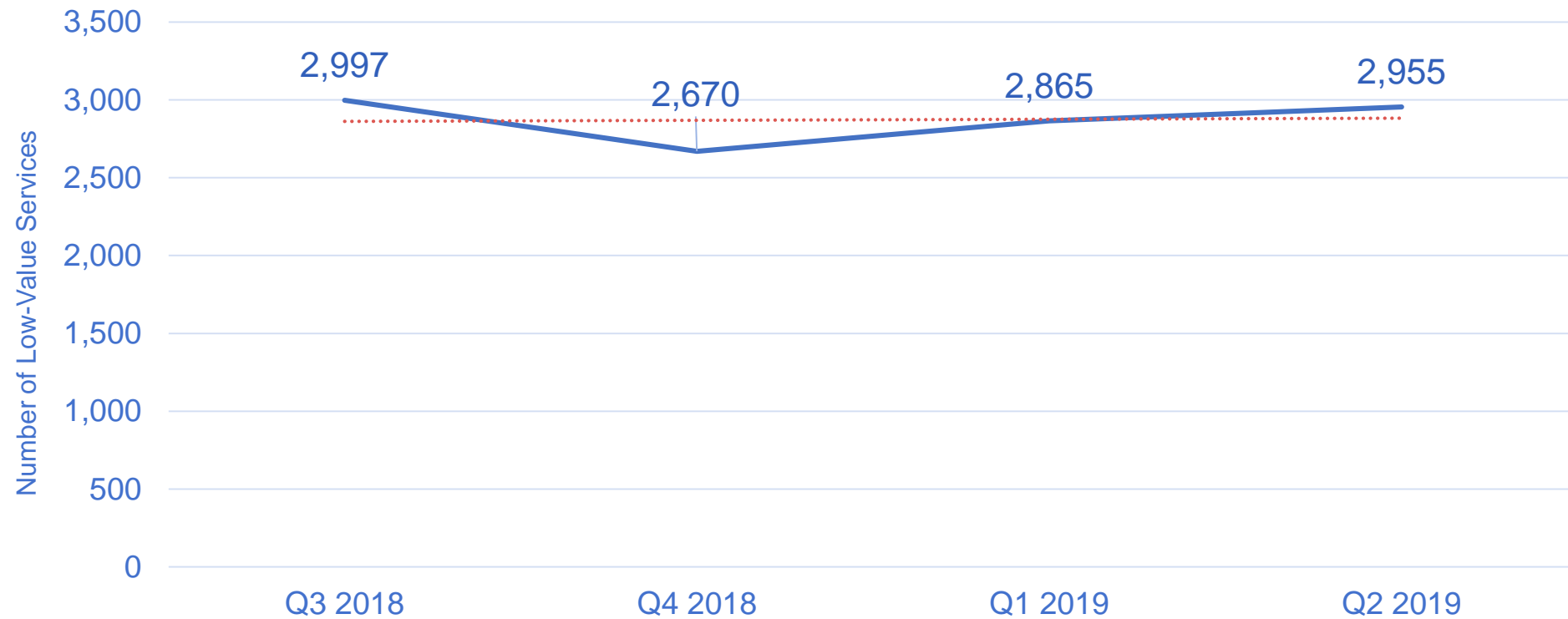
# PREVIOUS 8 LOW-VALUE SERVICES

\*Values in red reflect updates based on July 2018 – June 2019 output.

Low-Value Service (July 2017 – June 2018 Vs. July 2018 – June 2019)	Distinct Members with Low-Value Service	Number of Low-Value Services	Low-Value Dollars
1. Don't obtain baseline lab studies in low-risk patients undergoing low-risk surgery — specifically complete blood count, basic or comprehensive metabolic panel, coagulation studies when blood loss (or fluid shifts) is expected to be minimal.	9,243 9,625↑	10,970 11,532↑	\$1,957,979 1,636,242↓
2. Don't order annual electrocardiograms (EKGs) or any other cardiac screening for low-risk patients without symptoms.	11,335 12,465↑	12,545 13,686↑	\$1,769,594 \$2,035,939↑
3. Don't routinely order imaging tests for patients without symptoms or signs of significant eye disease.	6,907 6,622↓	10,430 9,528↓	\$1,061,830 \$1,048,872↓
4. Don't order unnecessary cervical cancer screening (Pap smear and HPV tests) in all women who have had adequate prior screening and are not otherwise at high risk for cervical cancer.	7,641 6,499↓	7,777 6,623↓	\$735,239 \$515,631↓
5. Don't perform coronary angiography in patients without cardiac symptoms unless high-risk markers are present.	215 193↓	220 195↓	\$452,377 \$333,337↓
6. Don't do imaging for uncomplicated headache.	385 413↑	396 425↑	\$121,819 \$161,720↑
7. Don't perform population-based screening for 25-OH-Vitamin D deficiency.	3,398 2,462↓	3,533 2,569↓	\$201,953 \$116,358↓
8. Don't prescribe oral antibiotics for members with upper URI or ear infection (acute sinusitis, URI, viral respiratory illness, or acute otitis externa).	23,993 18,956↓	30,796 23,083↓	\$110,931 \$77,763↓



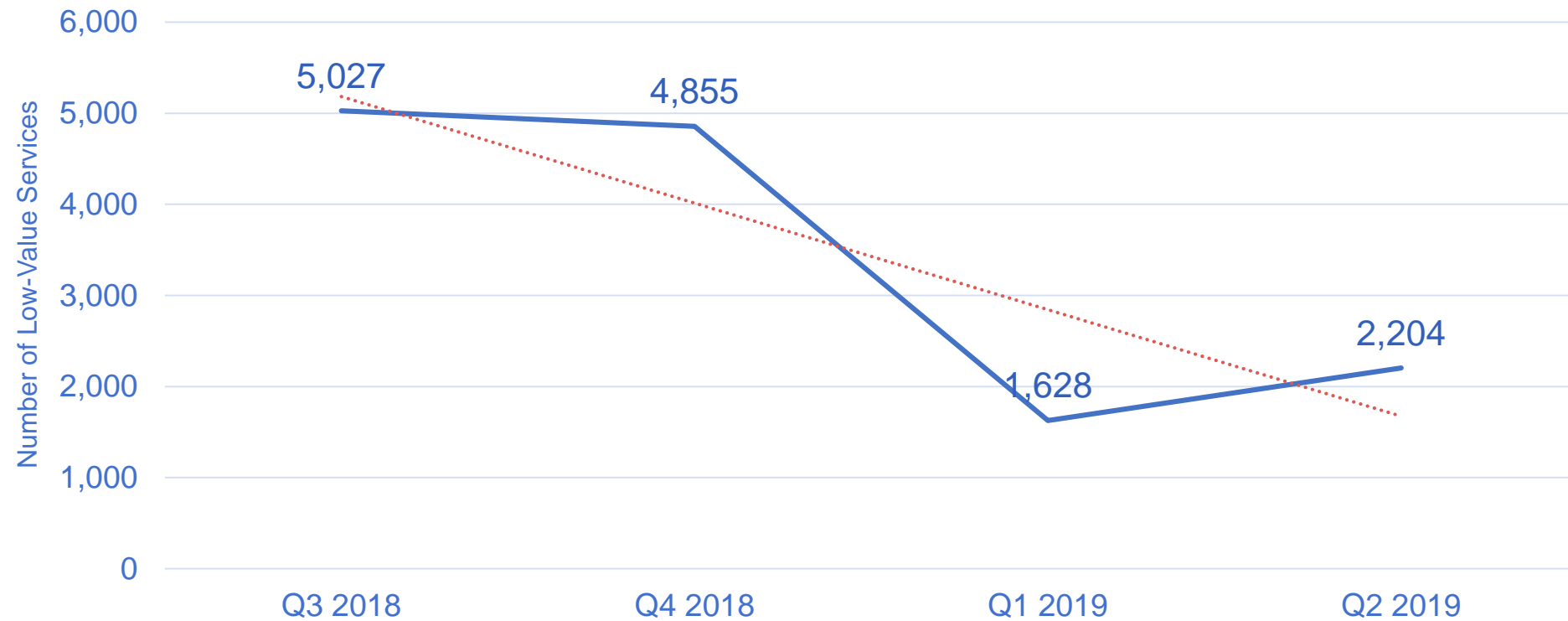
# LOW-VALUE SERVICES QUARTERLY TREND: PREOPERATIVE BASELINE LABS



*Note: Quarters represent calendar year quarters, not state fiscal year quarters.*



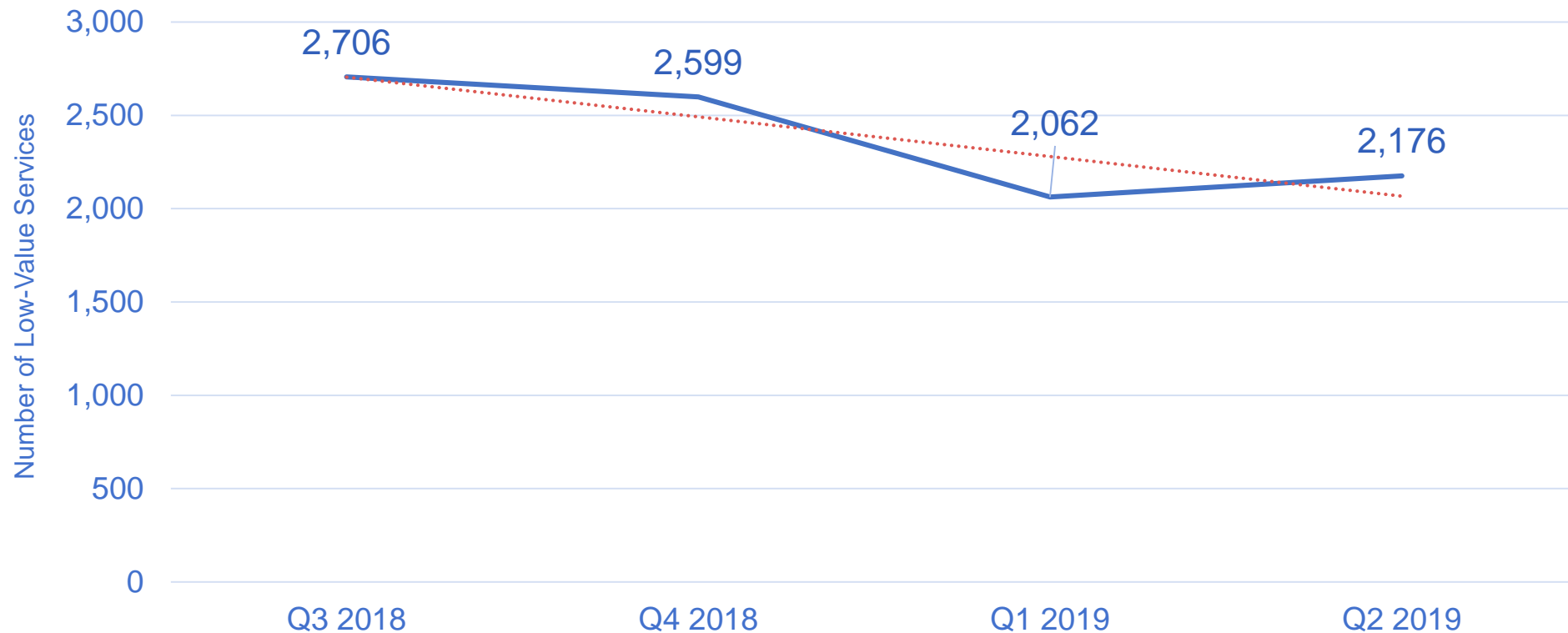
# LOW-VALUE SERVICES QUARTERLY TREND: ANNUAL EKG'S



*Note: Quarters represent calendar year quarters, not state fiscal year quarters.*



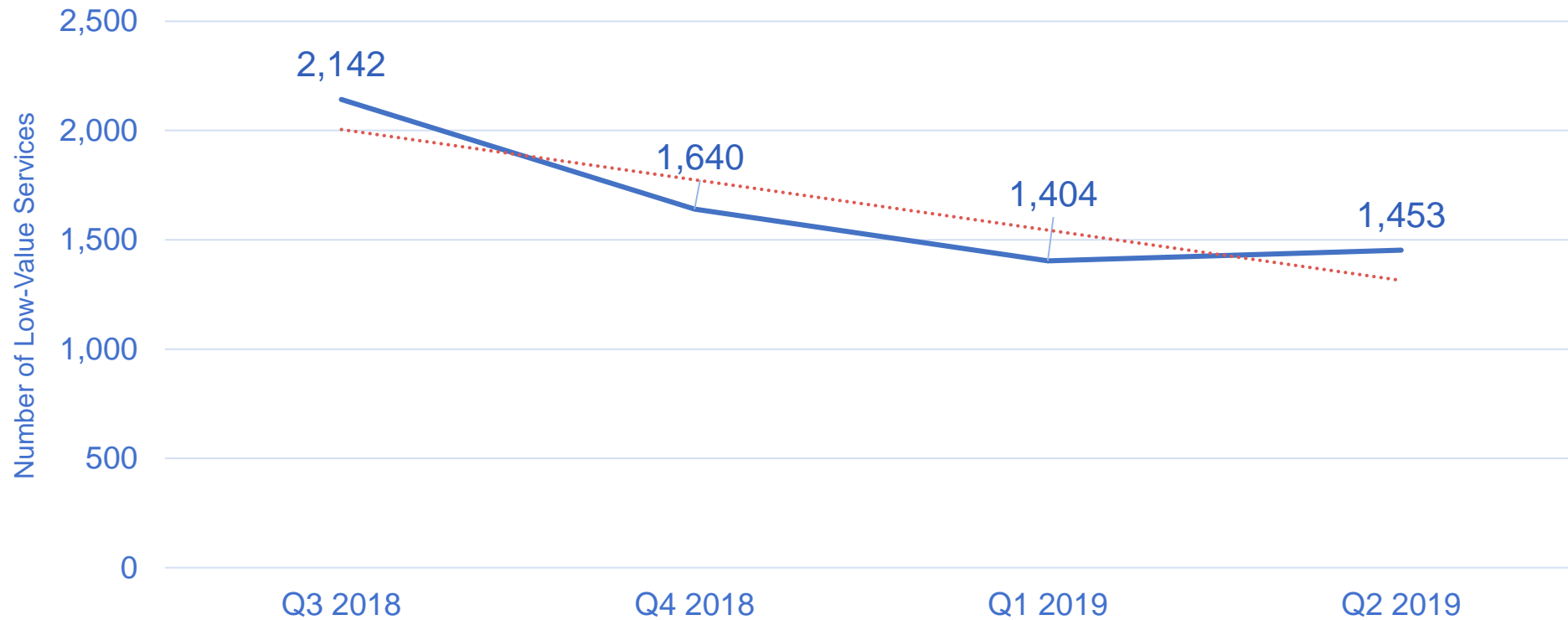
# LOW-VALUE SERVICES QUARTERLY TREND: EYE IMAGING



*Note: Quarters represent calendar year quarters, not state fiscal year quarters.*



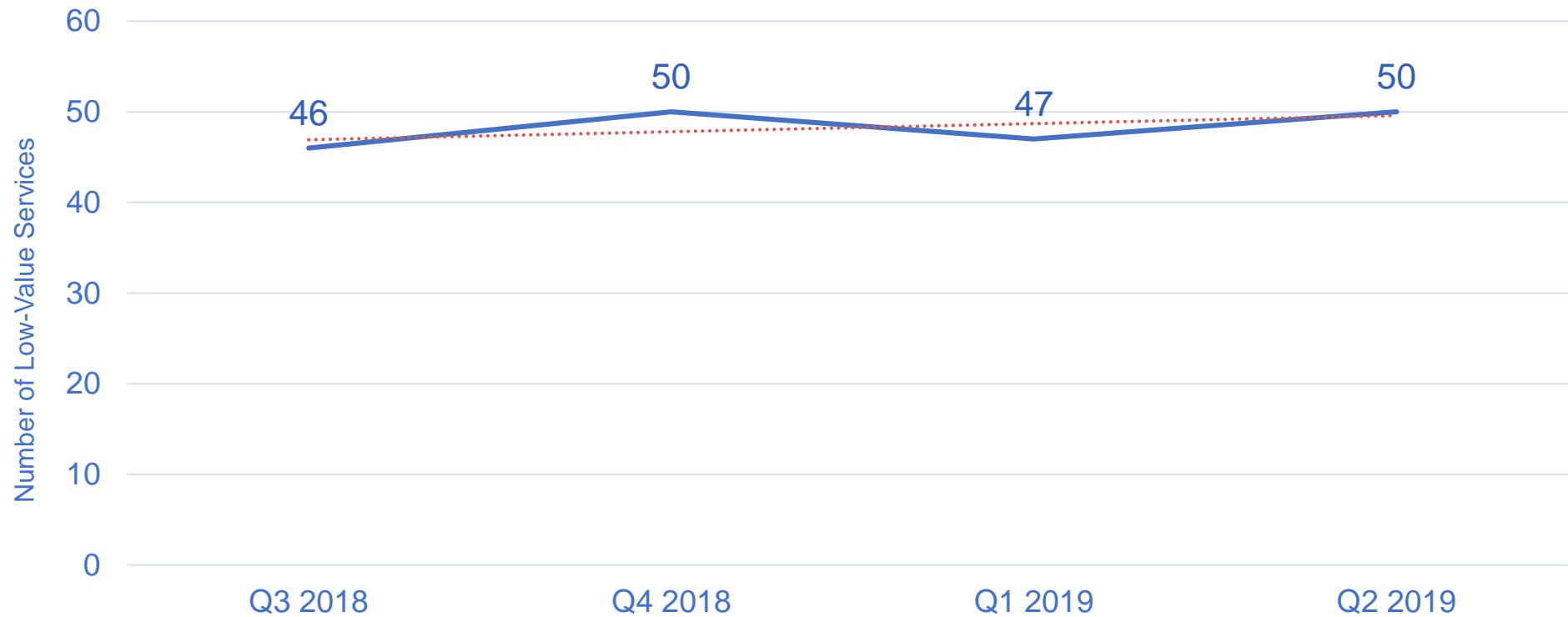
# LOW-VALUE SERVICES QUARTERLY TREND: CERVICAL CANCER SCREENINGS



*Note: Quarters represent calendar year quarters, not state fiscal year quarters.*



# LOW-VALUE SERVICES QUARTERLY TREND: CORONARY ANGIOGRAPHY

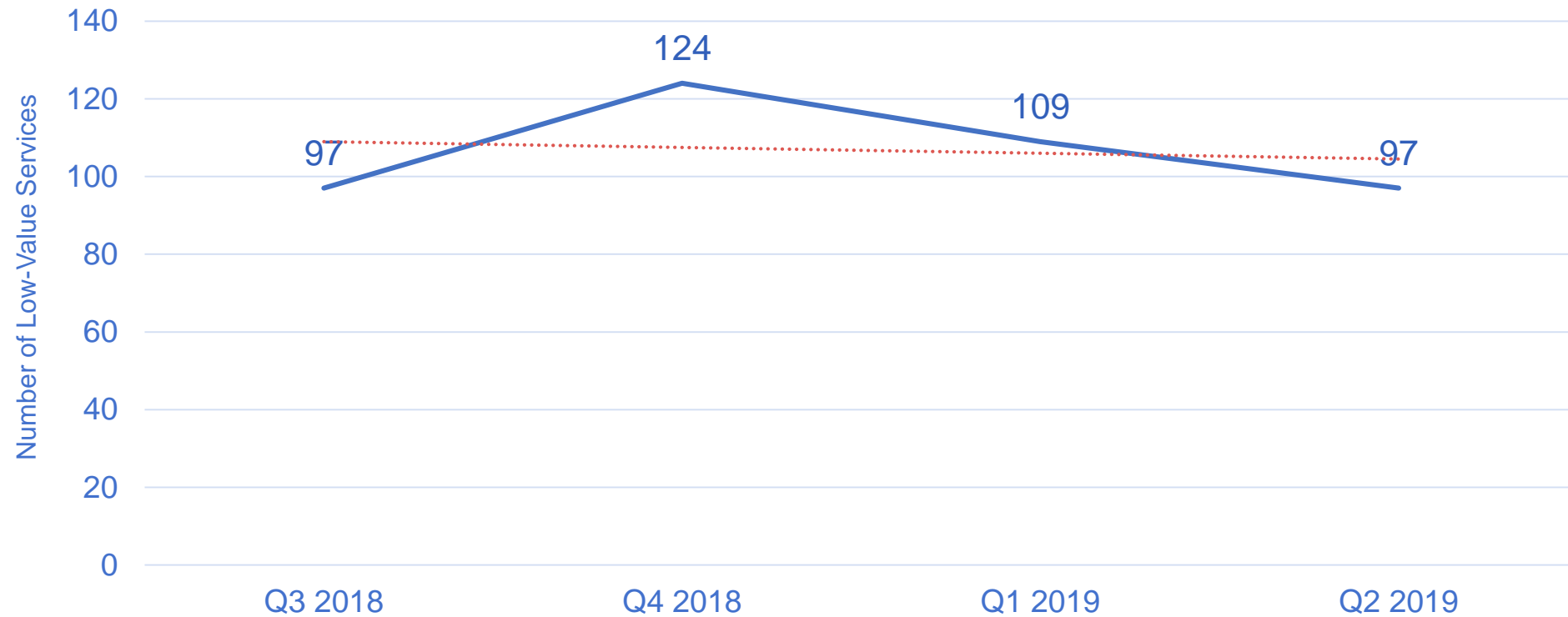


*Note: Quarters represent calendar year quarters, not state fiscal year quarters.*





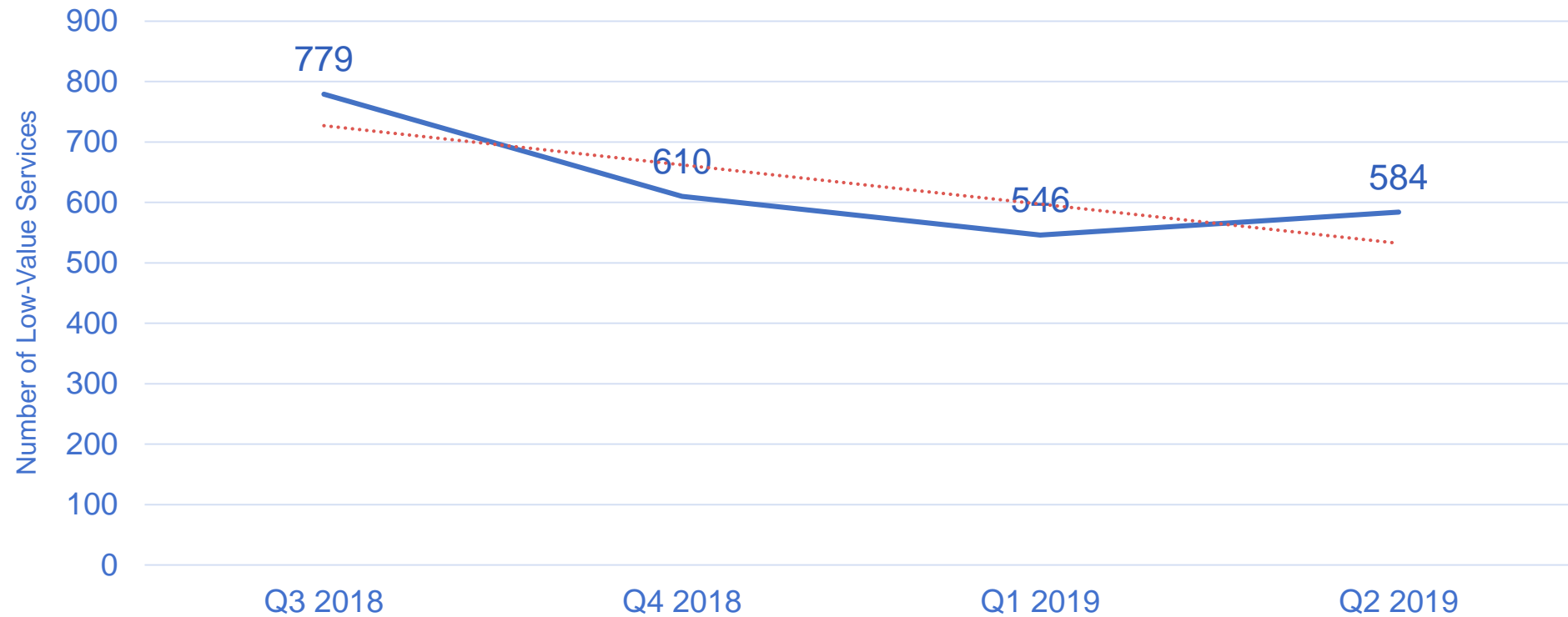
# LOW-VALUE SERVICES QUARTERLY TREND: IMAGING FOR UNCOMPLICATED HEADACHE



*Note: Quarters represent calendar year quarters, not state fiscal year quarters.*



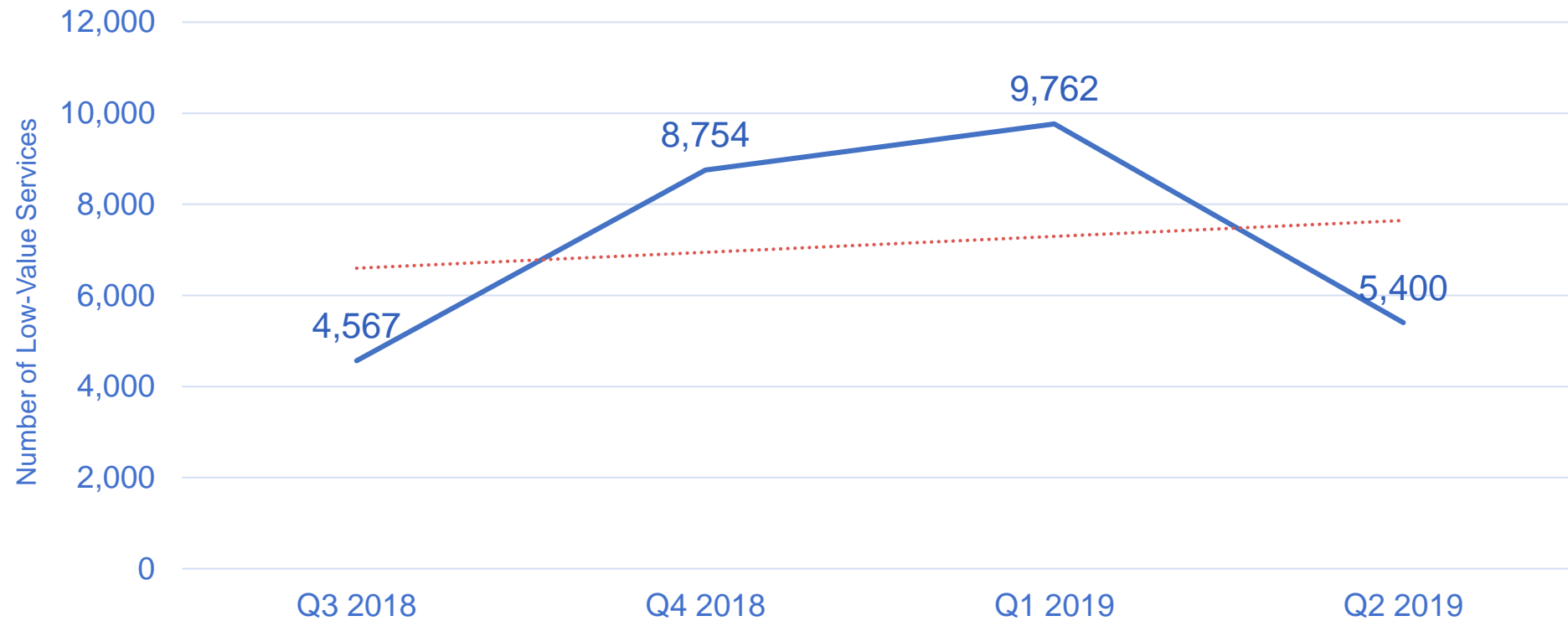
# LOW-VALUE SERVICES QUARTERLY TREND: POPULATION-BASED VITAMIN D SCREENING



*Note: Quarters represent calendar year quarters, not state fiscal year quarters.*



# LOW-VALUE SERVICES QUARTERLY TREND: ANTIBIOTICS FOR URI & EAR INFECTION



*Note: Quarters represent calendar year quarters, not state fiscal year quarters.*



# NEW LOW-VALUE SERVICES WITHIN EBD

Low-Value Service (July 2018 – June 2019)	Distinct Members with Low-Value Service	Number of Low-Value Services	Low-Value Dollars
4. For asymptomatic adults without a chronic medical condition, mental health problem, or other health concern, don't routinely perform annual general health checks that include a comprehensive physical examination and lab testing.	5,389	5,487	\$873,053
7. Don't prescribe opiates in acute disabling low back pain before evaluation and a trial of other alternatives is considered.	3,890	7,650	\$313,964
8. Don't do imaging for low back pain within the first six weeks, unless red flags are present.	1,546	1,547	\$184,456



# CONCLUSIONS

- Most of the previous top 8 low-value services have trended downward based on most recent data
- Annual EKGs remain a costly low-value service area
- Ongoing monitoring is warranted for previous top 8, as well as two new measures entering the top 8, along with review of current coverage policies



# RECOMMENDATIONS

- Add two new measures to the previous 8 for ongoing monitoring
- Look for opportunities to continue reductions in all low-value services, especially these new measures
- Review patient cost share components related to each of the measures





# State of Arkansas Employee Benefits Division

## Interim Monitoring Report

Through December 31st

State and Public School Life and Health Insurance Benefit Subcommittee

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

17 JANUARY 2020



# Agenda

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

# What is a Trend?

General direction in which something is developing or changing. From a health care pricing perspective, primarily refers to the rate of change in utilization, unit cost, and/or claim costs per member per month (PMPM).



### Out of Office

Americans who reported working from home, by occupation



Source: Census Bureau

The Wall Street Journal



Milliman



# Secular Utilization Trend Drivers

- Units of service like admits, days, visits, exams, claims, scripts
  - Evolutionary changes in medical care
    - Use of more outpatient services
    - Introduction of new technologies and drugs
    - Use of alternative treatments
  - Increases in supply of services
    - More hospital beds
    - More physicians
    - More free-standing surgery centers
  - Improvement in overall care through self-care or preventive care
  - Seasonality
  - Change in Malpractice suits or institutional policy lead to defensive medicine
  - Benefit design may discourage utilization due to high cost sharing or encourage utilization through generous discretionary services
  - Utilization review or second opinions
  - Anticipated loss of coverage or pent-up demand
  - Managed care penetration
  - Health care reform or state mandates

# Secular Unit Cost Trend Drivers

- Average cost per units of service (amounts negotiated with providers)
  - Inflation
  - Provider contracting limits (i.e., annual change limited to external index)
  - Cost shifting – lower provider reimbursement for Medicaid/Medicare could lead to higher provider reimbursement for commercial or self-insured
  - Medical practice patterns lead to change in mix or intensity
    - Increased number of tests in hospital stay
    - Shift towards more specialized physician care
    - Upcoding
  - Facility mix – reimbursement can vary due to operating costs, nurse wages, energy costs
  - New technology, new drugs, or organ transplants
  - Large claims – low frequency and high unit cost
  - Health care reform or state mandates
  - Patent protection for pharmacy

## Other Trend Drivers

- Age/gender
  - Old > younger
  - Female > Male
- Benefits
  - Deductible
  - Copays and coinsurance
  - Internal limits and benefit maximums
  - Out-of-pocket limits
- Geography
- Selection
  - Favorable or adverse results due to non-random changes

## Steps to Develop Trend

1. Complex statistical analysis to simple algebra
2. Summarize utilization and/or claim costs incurred from a set period of time, usually over the span of multiple calendar years
  1. Summary can be broken out by types of service (i.e., Inpatient, Outpatient, Professional, etc.)
  2. Using rolling averages for credibility
  3. Can also be shorter periods like 1, 3, or 6 months
3. Remove large claims over a defined threshold (i.e., \$100,000)
4. Compare the metric (i.e., utilization, average cost, PMPM) from two periods of time (March over March) to determine the annual trend



# Application

- Compounding impact
  - Short term
  - Long term
- Timing – annual trends
  - Midpoint of base period
  - Midpoint of projection period
  - Example 1
    - Data based on CY2019 – midpoint or average is July 1, 2019
    - Rating CY2021 – midpoint or average is July 1, 2021
  - Example 2
    - Data based on 4Q2019 – midpoint or average is October 15, 2019
    - Rating CY2021 – midpoint or average is July 1, 2021
- Trend factors
  - 5% annual trend
    - Example 1 → CY2019 to CY2021 – 2 years or  $1.05^2 = 1.1025$  or 10.25% increase (not 10%)
    - Example 2 → 4Q2019 to CY2021 – 20.5 months or  $1.05^{(20.5 / 12)} = 1.0869$  or 8.69% increase

## Trend Example – ASE Medical

Incurred Month	Medical PMPM				Annual Medical Trends		
	Monthly	3 Mo Avg	6 Mo Avg	12 Mo Avg	Monthly	3 Mo Avg	6 Mo Avg
Jan-18	\$275.69	\$266.43	\$273.80	\$253.22	36.5%		
Feb-18	\$232.59	\$259.04	\$265.12	\$255.08	10.7%		
Mar-18	\$261.58	\$256.61	\$264.82	\$256.16	5.2%	16.5%	
Apr-18	\$268.68	\$254.27	\$260.33	\$260.64	25.0%	13.2%	
May-18	\$251.06	\$260.44	\$259.74	\$261.56	4.7%	11.1%	
Jun-18	\$251.61	\$257.12	\$256.86	\$263.14	8.1%	12.2%	14.3%
Jul-18	\$273.54	\$258.73	\$256.49	\$265.12	9.5%	7.5%	10.2%
Aug-18	\$304.43	\$276.51	\$268.47	\$266.80	7.1%	8.2%	9.6%
Sep-18	\$250.77	<b>\$276.25</b>	\$266.68	\$265.75	-4.8%	3.9%	7.8%
Oct-18	\$324.00	\$293.05	\$275.86	\$268.10	9.5%	4.2%	5.7%
Nov-18	\$270.06	\$281.58	\$279.04	\$269.38	6.1%	3.8%	5.9%
Dec-18	\$273.98	\$289.35	\$282.79	\$269.80	1.9%	5.9%	4.9%
Jan-19	\$267.01	\$270.34	\$281.69	\$269.07	-3.2%	1.5%	2.9%
Feb-19	\$222.95	\$254.56	\$268.04	\$268.25	-4.1%	-1.7%	1.1%
Mar-19	\$247.14	\$245.68	\$267.41	\$267.04	-5.5%	-4.3%	1.0%
Apr-19	\$256.50	\$242.19	\$256.21	\$266.02	-4.5%	-4.7%	-1.6%
May-19	\$273.28	\$258.97	\$256.77	\$267.88	8.9%	-0.6%	-1.1%
Jun-19	\$256.06	\$261.95	\$253.81	\$268.25	1.8%	1.9%	-1.2%
Jul-19	\$258.48	\$262.62	\$252.39	\$267.00	-5.5%	1.5%	-1.6%
Aug-19	\$280.36	\$264.97	\$261.96	\$265.00	-7.9%	-4.2%	-2.4%
Sep-19	\$266.82	<b>\$268.56</b>	\$265.25	\$266.33	6.4%	-2.8%	<b>-0.5%</b>
Oct-19	\$308.34	\$285.15	\$273.87	\$265.03	-4.8%	-2.7%	-0.7%

Example:  
 Sep-19: 3 Mo Avg Med = \$268.56  
 Sep-18: 3 Mo Avg Med = \$276.25  
 Annual trend  
 $\rightarrow \$268.56 / \$276.25 - 1 = -0.5\%$

- Claims reflect amounts paid to providers after member cost sharing
- 3 Mo and 6 Mo Avg equal three month of incurred claims / three months of members

# **Arkansas State Employees (ASE)**

# Executive Summary

- Updated projections show an increase in net income of \$2.2M in 2019 and decrease in net income of \$210K in 2020 (Changes shown relative to November board meeting).
  - Higher other income
  - Lower medical claims
  - Lower pharmacy savings
- 2019 plan experience
  - Estimated surplus of \$14.4M
  - Estimated unallocated net assets at the end of 2019 is \$8.8M
- 2020 plan experience
  - Allocated reserves for 2020 is \$25.1M
  - Estimated surplus of \$6.3M
  - Estimated unallocated net assets at the end of 2020 is \$15M
  - No plan changes / 5% increase in employee contributions

# Total Plan Experience

<u>Funding</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
State Contribution	\$ 174.70	\$ 173.61	\$ 172.32
Employee Contribution	96.70	97.45	102.52
Other	19.70	23.47	22.46
<b>Total Income</b>	<b>\$ 291.10</b>	<b>\$ 294.53</b>	<b>\$ 297.29</b>
Medical Claims	\$ (201.40)	\$ (194.22)	\$ (205.91)
Pharmacy Claims	(81.90)	(87.91)	(98.13)
Administration Fees <sup>1</sup>	(22.70)	(18.30)	(17.57)
Plan Administration	N/A	(2.90)	(3.22)
<b>Total Expenses</b>	<b>\$ (306.00)</b>	<b>\$ (303.33)</b>	<b>\$ (324.83)</b>
Pharmacy Savings	\$ -	\$ 1.47	\$ 8.76
<b>Net Income / (Loss) Before Reserve Allocation</b>	<b>\$ (14.90)</b>	<b>\$ (7.34)</b>	<b>\$ (18.78)</b>
Allocation of Reserves	\$ 18.00	\$ 21.70	\$ 25.10
<b>Net Income / (Loss) After Reserve Allocation</b>	<b>\$ 3.10</b>	<b>\$ 14.37</b>	<b>\$ 6.33</b>

<u>Average Membership</u>			
Active Employees / Pre-65 Retirees	48,093	47,716	47,716
Post-65 Retirees	12,914	13,351	13,752
<b>Total Enrolled</b>	<b>61,008</b>	<b>61,068</b>	<b>61,468</b>

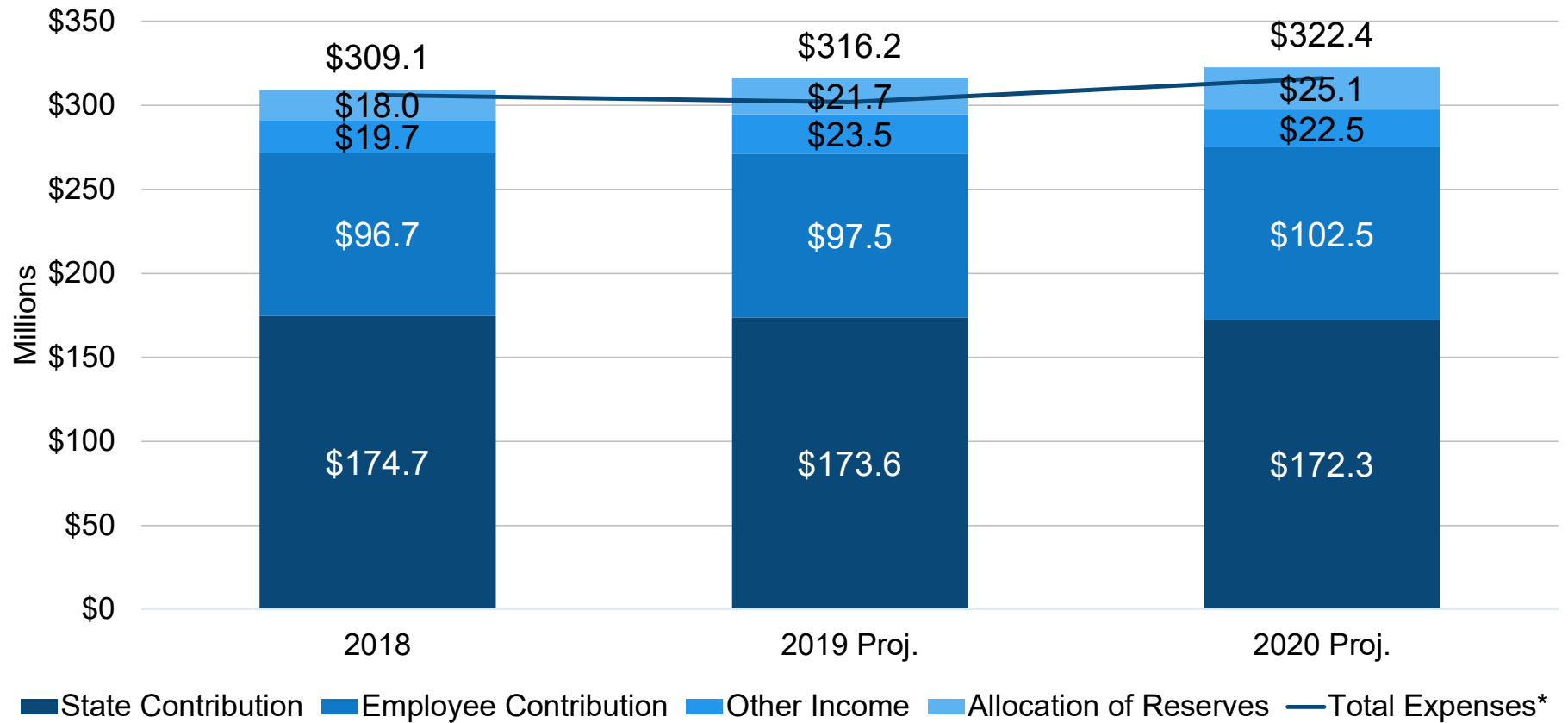
<b>Total Income PMPM<sup>2</sup></b>	<b>\$ 422.22</b>	<b>\$ 431.53</b>	<b>\$ 437.08</b>
<b>Total Expenses PMPM<sup>3</sup></b>	<b>\$ (417.98)</b>	<b>\$ (411.93)</b>	<b>\$ (428.50)</b>

<sup>1</sup> 2018 Administration Fees included Plan Administration

<sup>2</sup> Allocation of Reserves included in Total Income

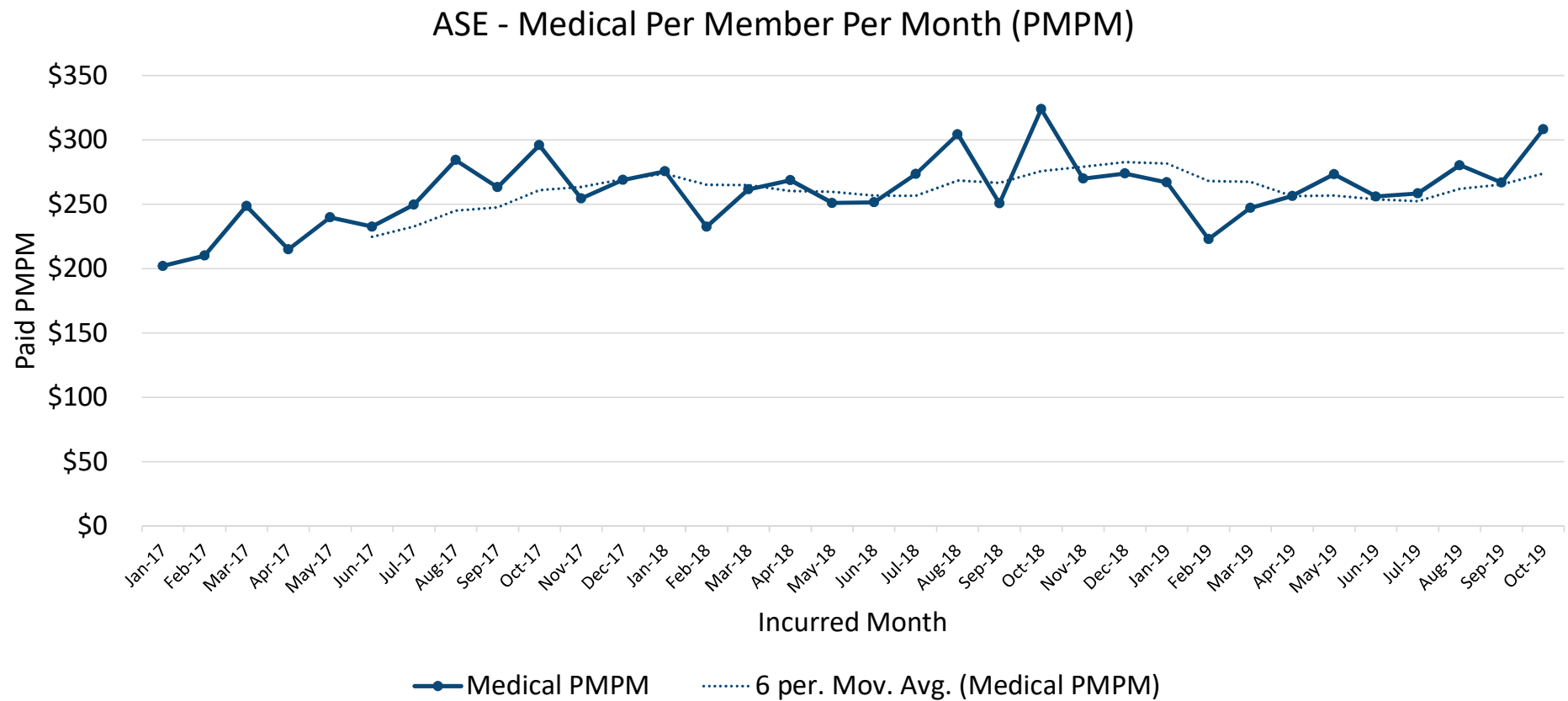
<sup>3</sup> Total Expenses offset by Pharmacy Savings

## Income vs. Expenditure

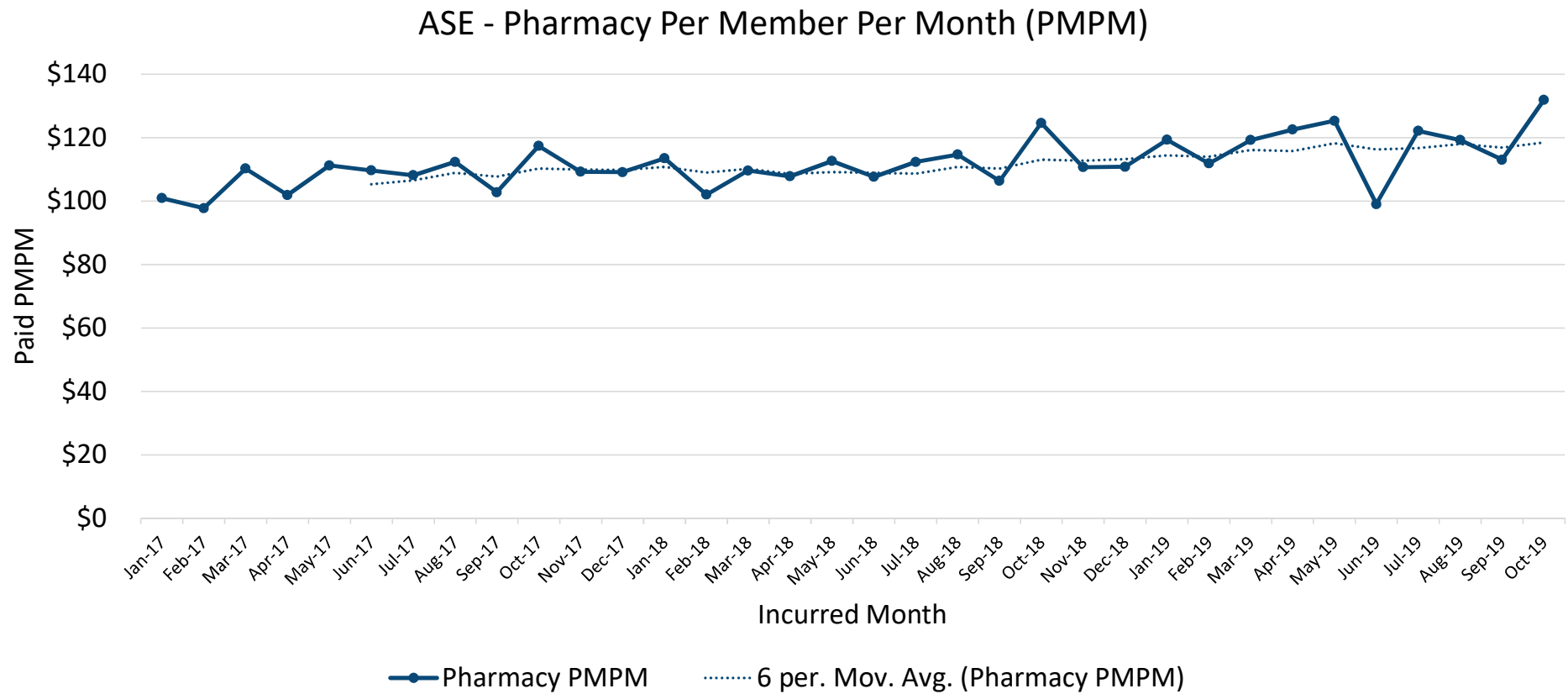


\* Total Expenses offset by Pharmacy Savings

# Monthly Trend - Medical

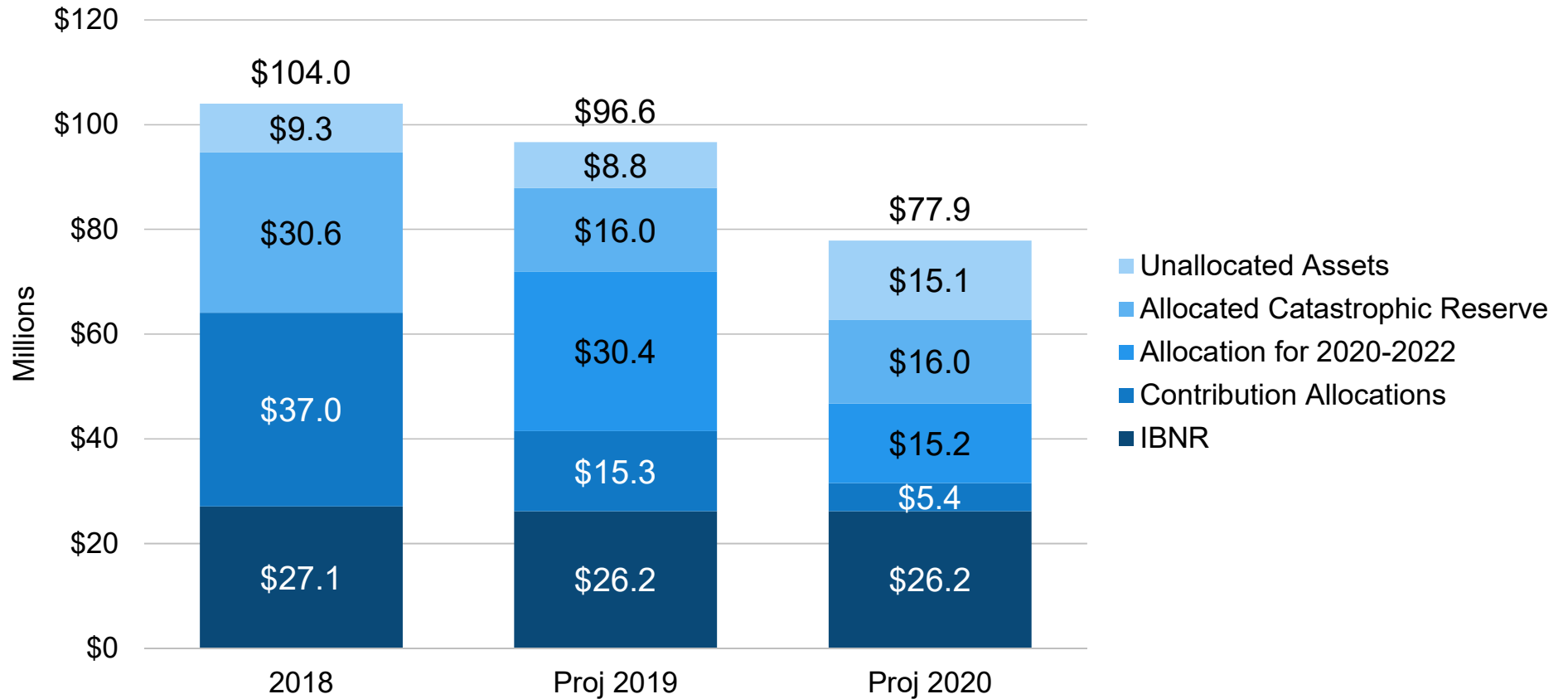


## Monthly Trend - Pharmacy

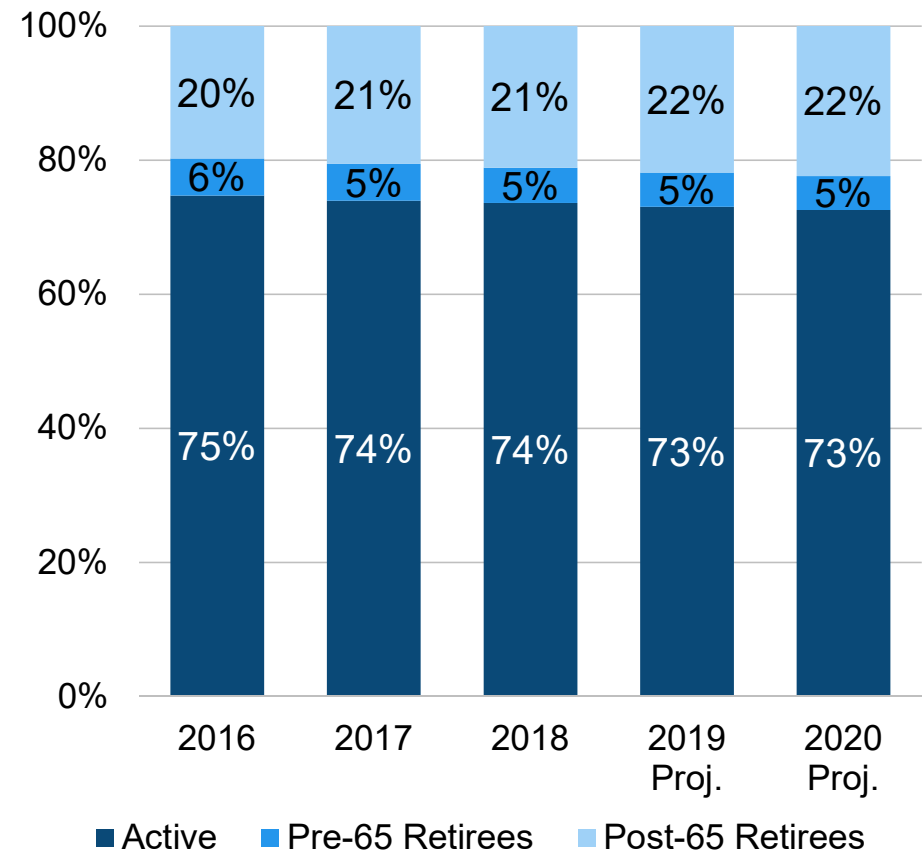
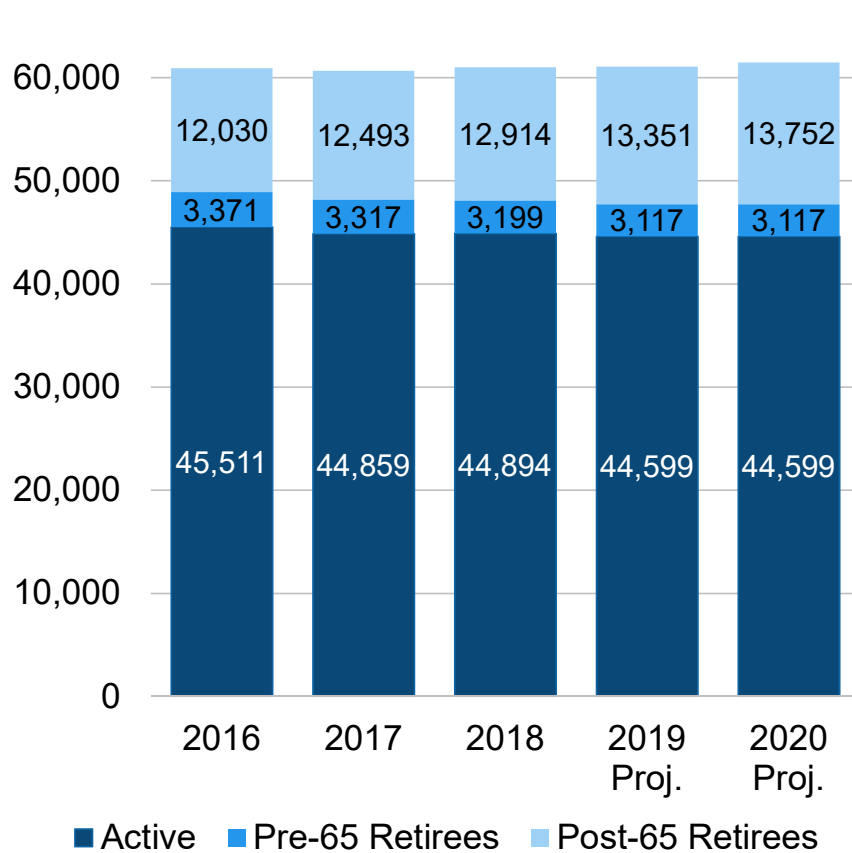




## End of Year Assets



## ASE - Average Membership by Status



**Public School Employees (PSE)**

## Executive Summary

- Updated projections show a reduction in net income of \$2.0M in 2019 and an increase in net income of \$50K in 2020 (Changes shown relative to November board meeting).
  - Higher medical claims
  - Lower pharmacy savings
- 2019 plan experience
  - Estimated deficit of \$2.3M
  - Estimated unallocated net assets at the end of 2019 is \$11.3M
- 2020 plan experience
  - Allocated reserves for 2020 is \$25.2M
  - Estimated deficit of \$4.5M
  - Estimated unallocated net assets at the end of 2020 is \$6.8M
  - No plan changes / 0% increase to employee contributions

# Total Plan Experience

<u>Funding</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
PPE Funding	N/A	\$ 102.39	\$ 106.32
Employee Contribution <sup>1</sup>	217.40	121.12	125.15
Dept of Ed Funding	88.10	88.10	88.10
Other	13.80	15.02	15.79
<b>Total Income</b>	<b>\$ 319.30</b>	<b>\$ 326.64</b>	<b>\$ 335.36</b>
Medical Claims	\$ (235.20)	\$ (249.41)	\$ (270.32)
Pharmacy Claims	(56.80)	(62.10)	(69.91)
Administration Fees <sup>2</sup>	(30.90)	(28.46)	(28.10)
Plan Administration	N/A	(2.61)	(3.01)
<b>Total Expenses</b>	<b>\$ (322.90)</b>	<b>\$ (342.59)</b>	<b>\$ (371.34)</b>
Pharmacy Savings	\$ -	\$ 1.03	\$ 6.24
<b>Net Income / (Loss) Before Reserve Allocation</b>	<b>\$ (3.60)</b>	<b>\$ (14.91)</b>	<b>\$ (29.74)</b>
Allocation of Reserves	\$ 4.50	\$ 12.66	\$ 25.22
<b>Net Income / (Loss) After Reserve Allocation</b>	<b>\$ 0.90</b>	<b>\$ (2.26)</b>	<b>\$ (4.52)</b>

<u>Average Membership</u>			
Active Employees / Pre-65 Retirees	79,949	82,309	84,661
Post-65 Retirees	13,536	14,282	15,138
<b>Total Enrolled</b>	<b>93,485</b>	<b>96,591</b>	<b>99,800</b>

<b>Total Income PMPM<sup>3</sup></b>	<b>\$ 288.64</b>	<b>\$ 292.72</b>	<b>\$ 301.09</b>
<b>Total Expenses PMPM<sup>4</sup></b>	<b>\$ (287.84)</b>	<b>\$ (294.67)</b>	<b>\$ (304.86)</b>

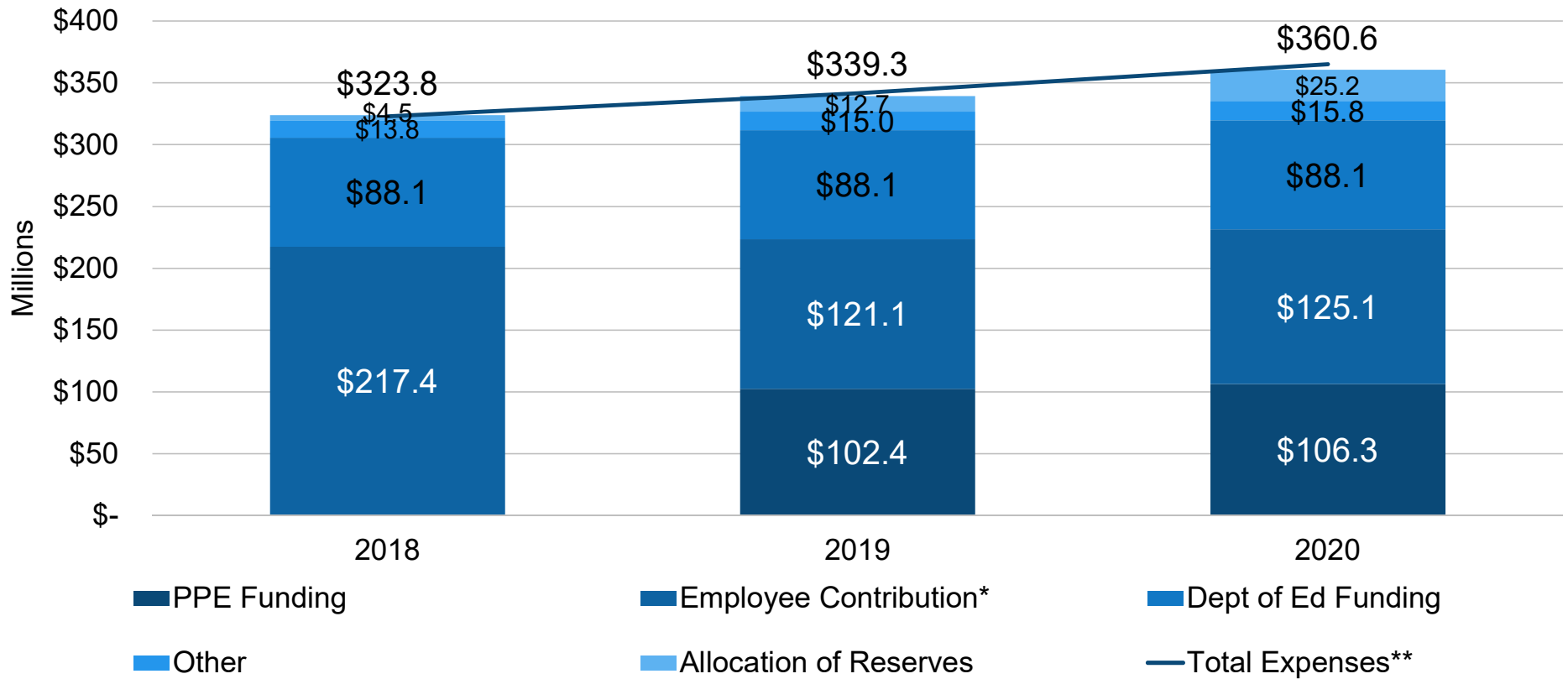
<sup>1</sup> 2018 Employee Contribution included PPE Funding and Allocation from Department of Education

<sup>2</sup> 2018 Administration Fees included Plan Administration

<sup>3</sup> Allocation of Reserves included in Total Income

<sup>4</sup> Total Expenses offset by Pharmacy Savings

## Income vs. Expenditure

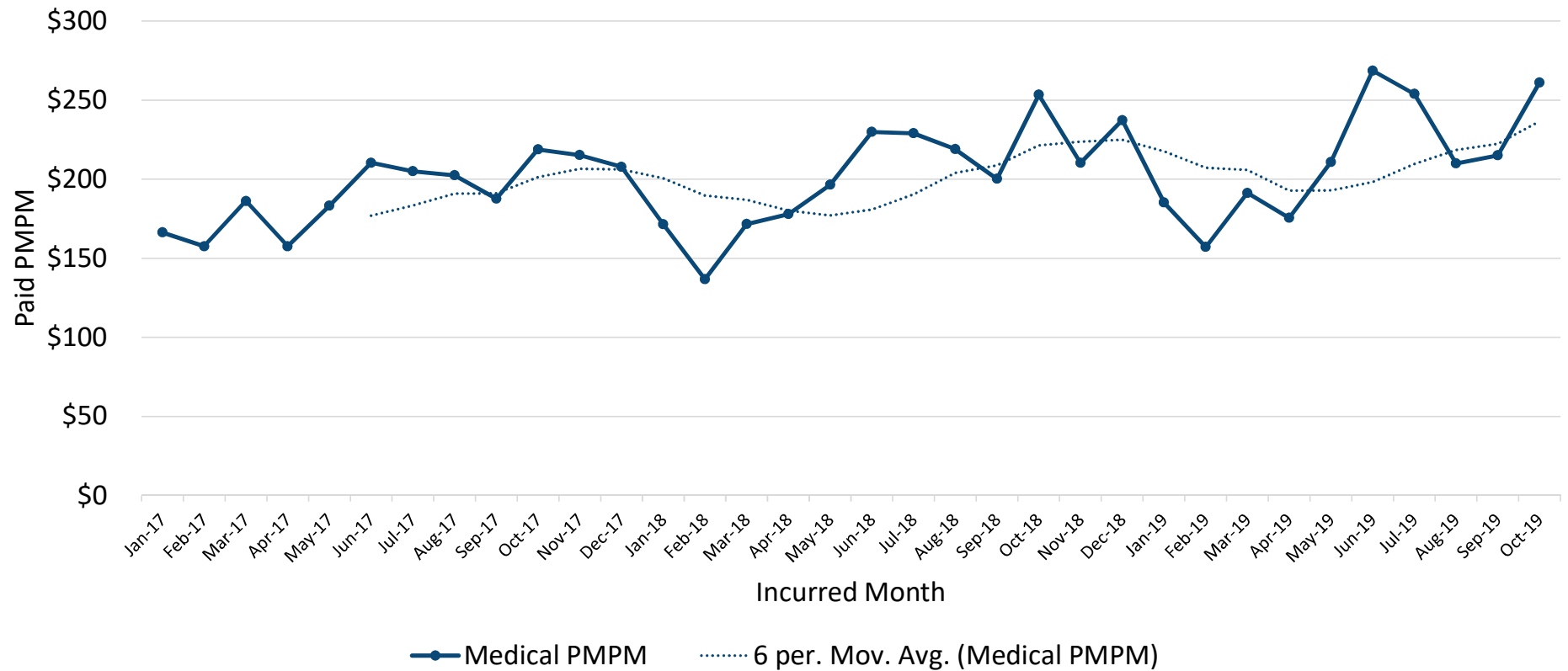


\* 2018 Employee Contribution includes PPE Funding

\*\* Total Expenses offset by Pharmacy Savings

# Monthly Trend - Medical

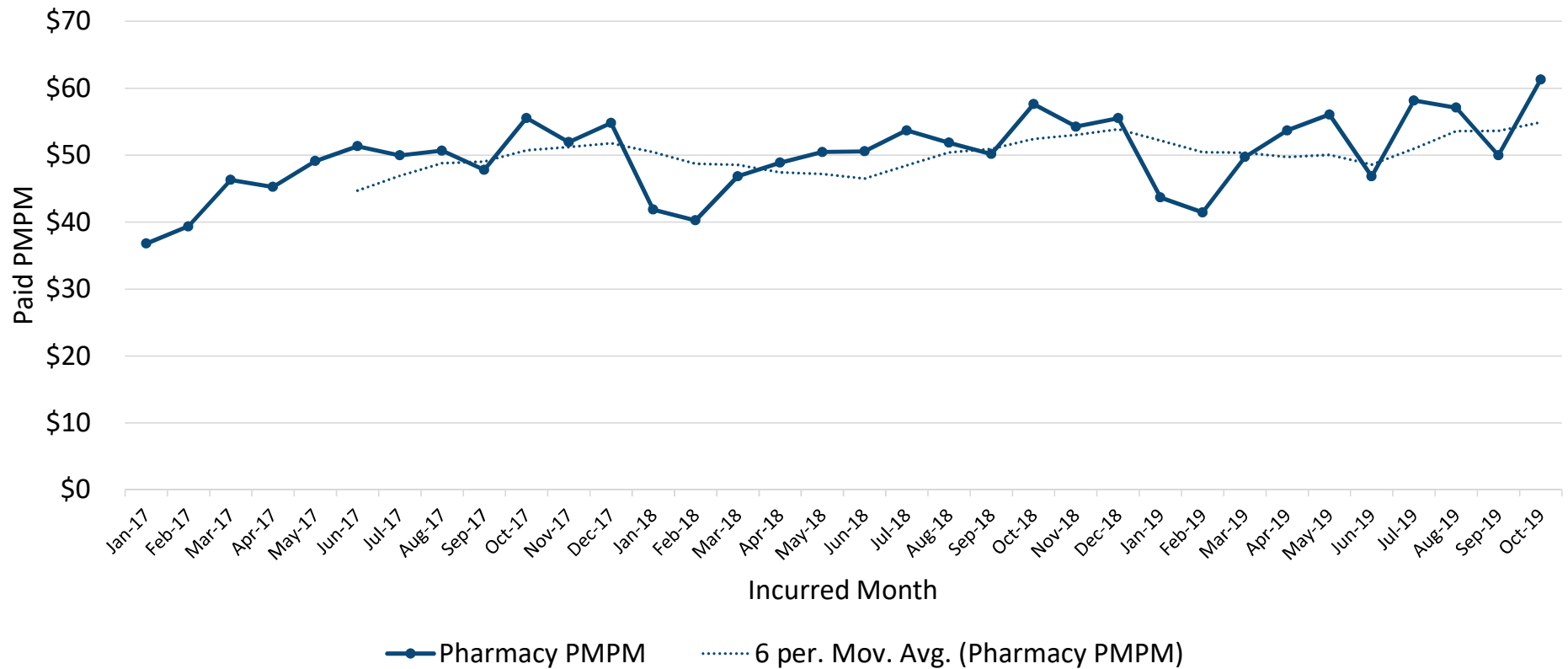
PSE - Medical Per Member Per Month (PMPM)



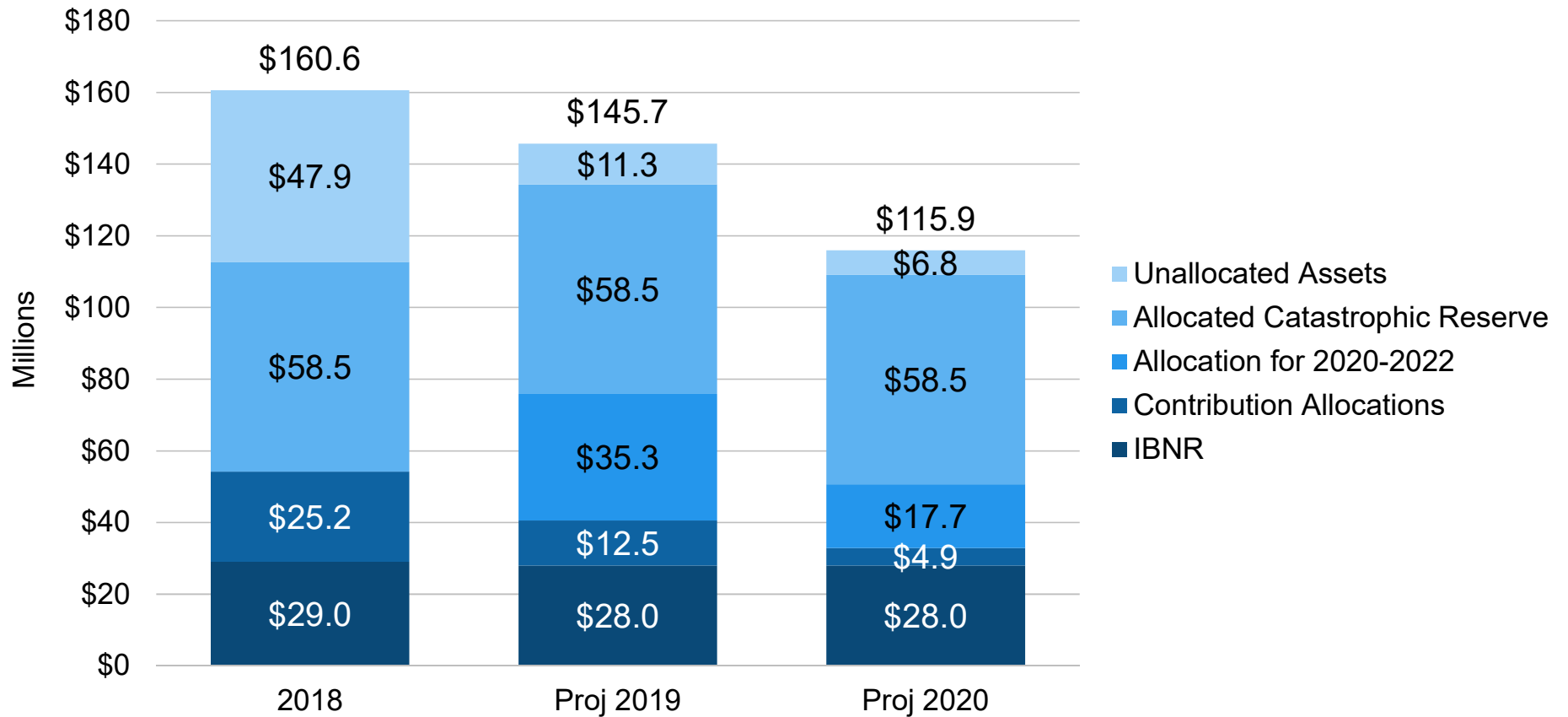


# Monthly Trend - Pharmacy

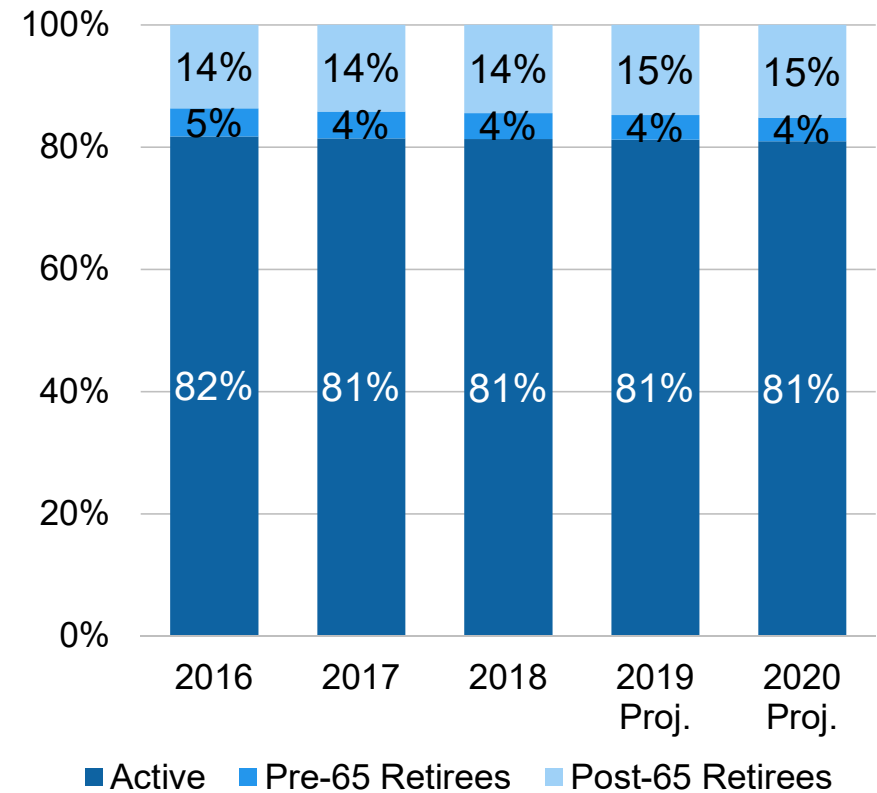
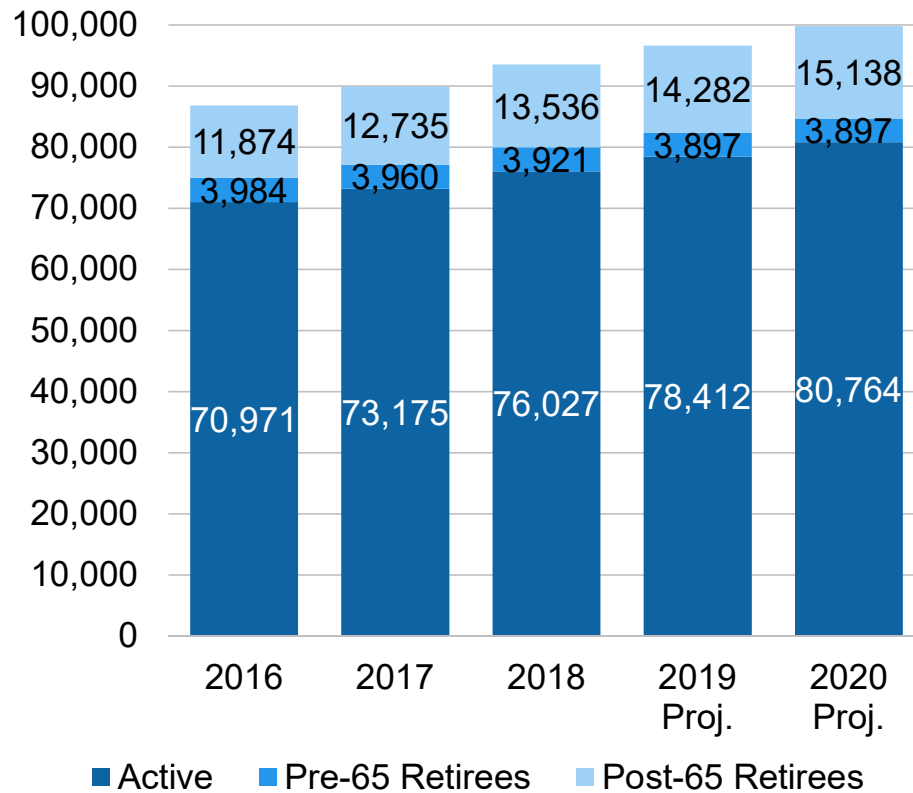
PSE - Pharmacy Per Member Per Month (PMPM)



## End of Year Assets



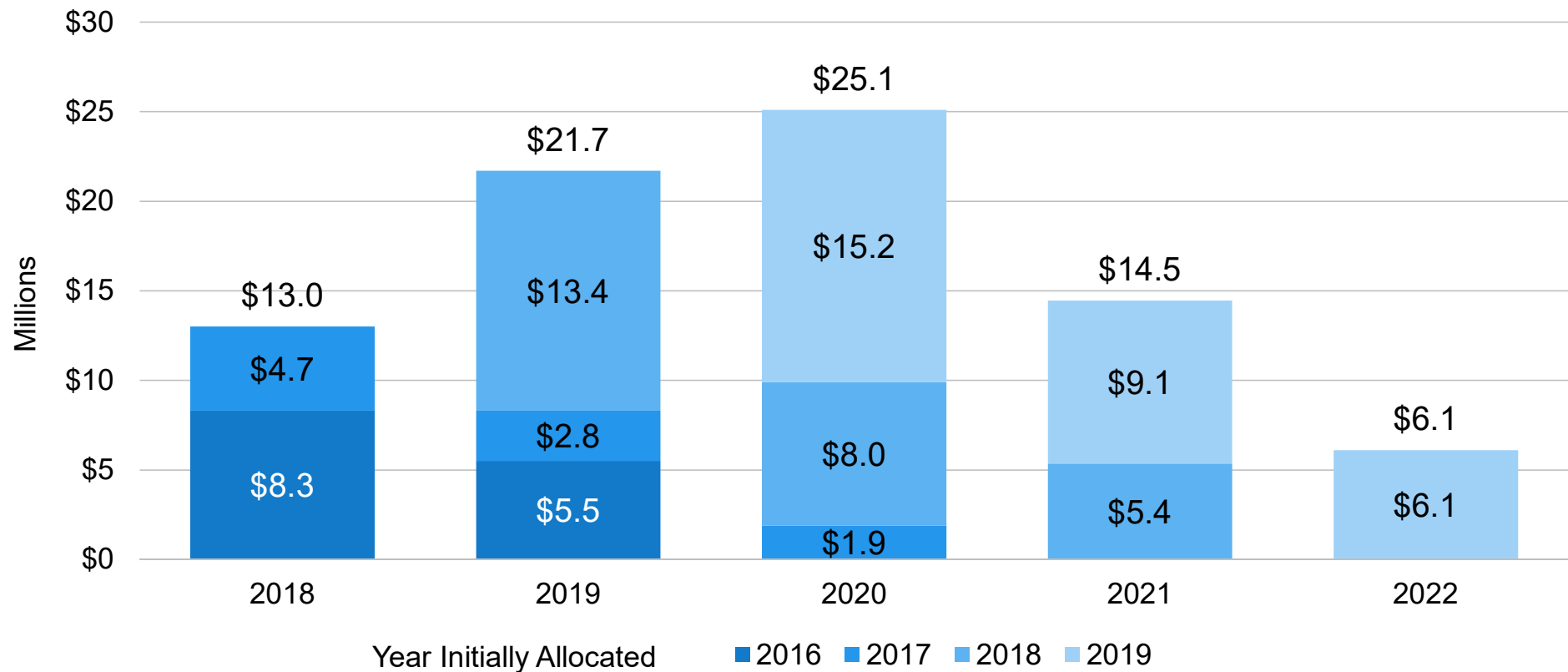
## PSE - Average Membership by Status



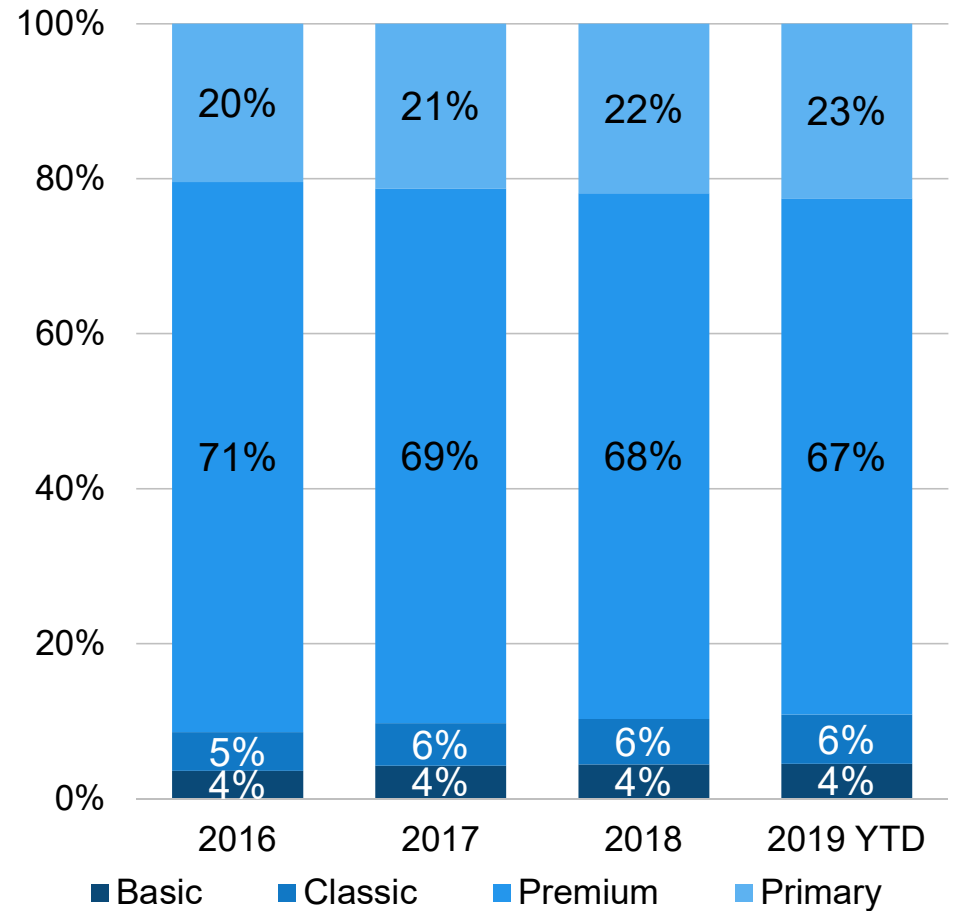
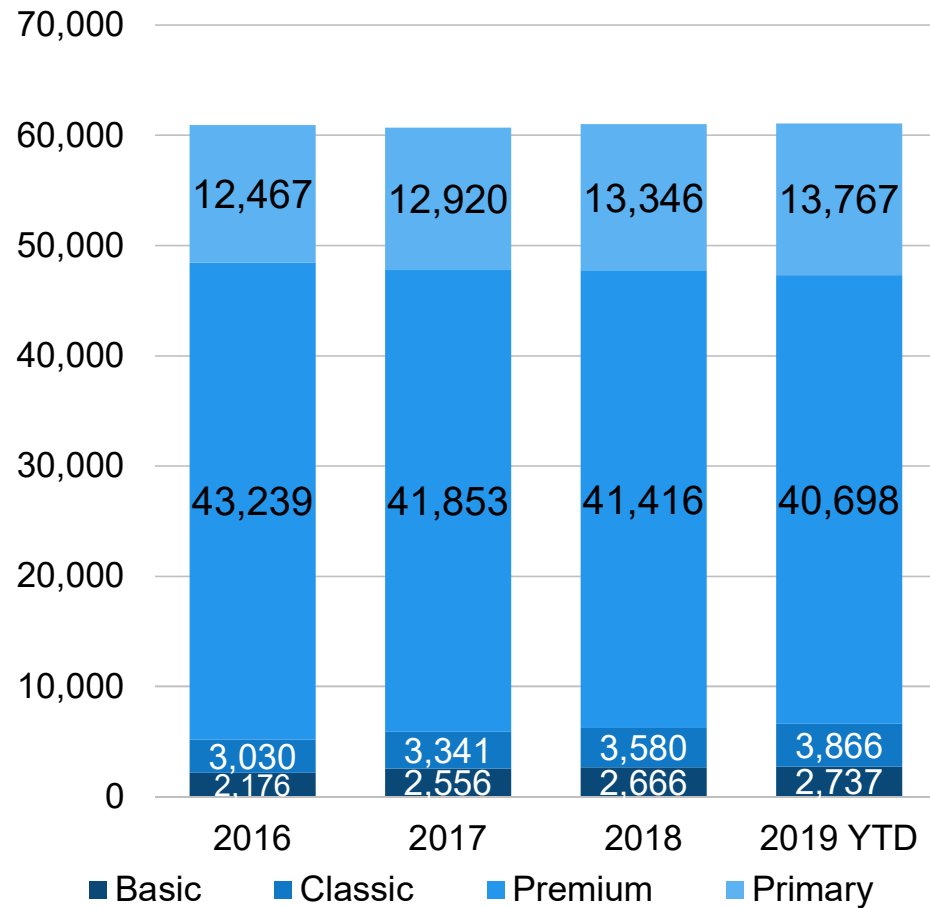
# Appendix

# ASE - Reserves Allocation by Year

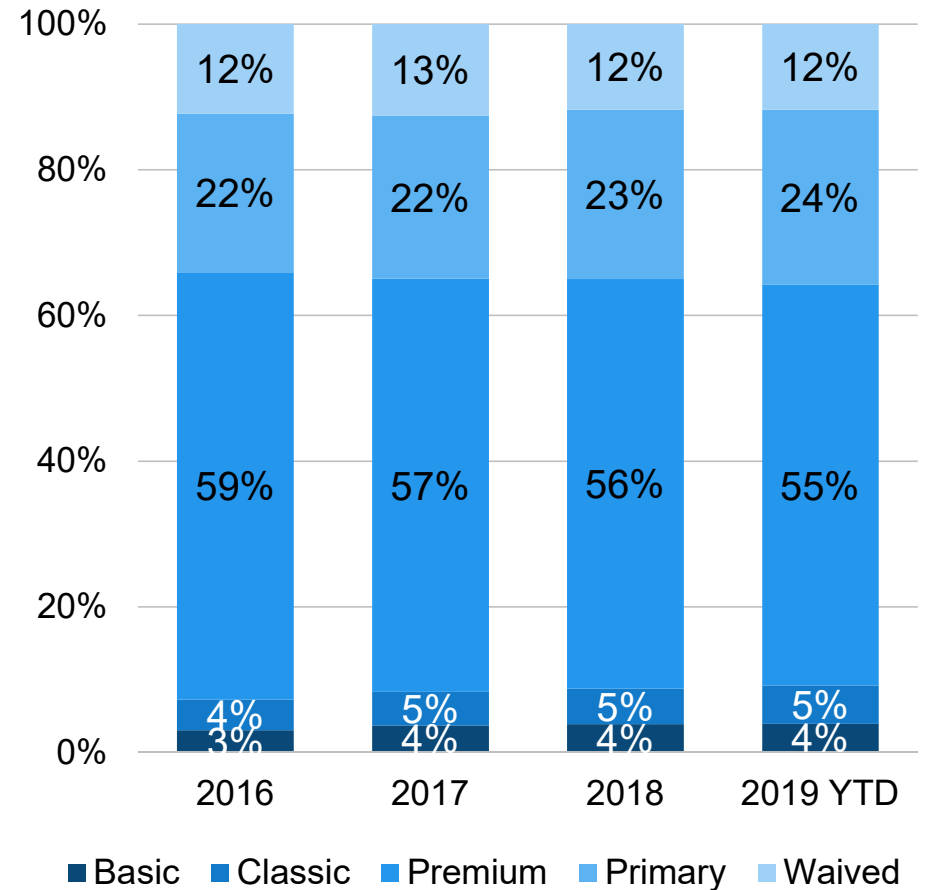
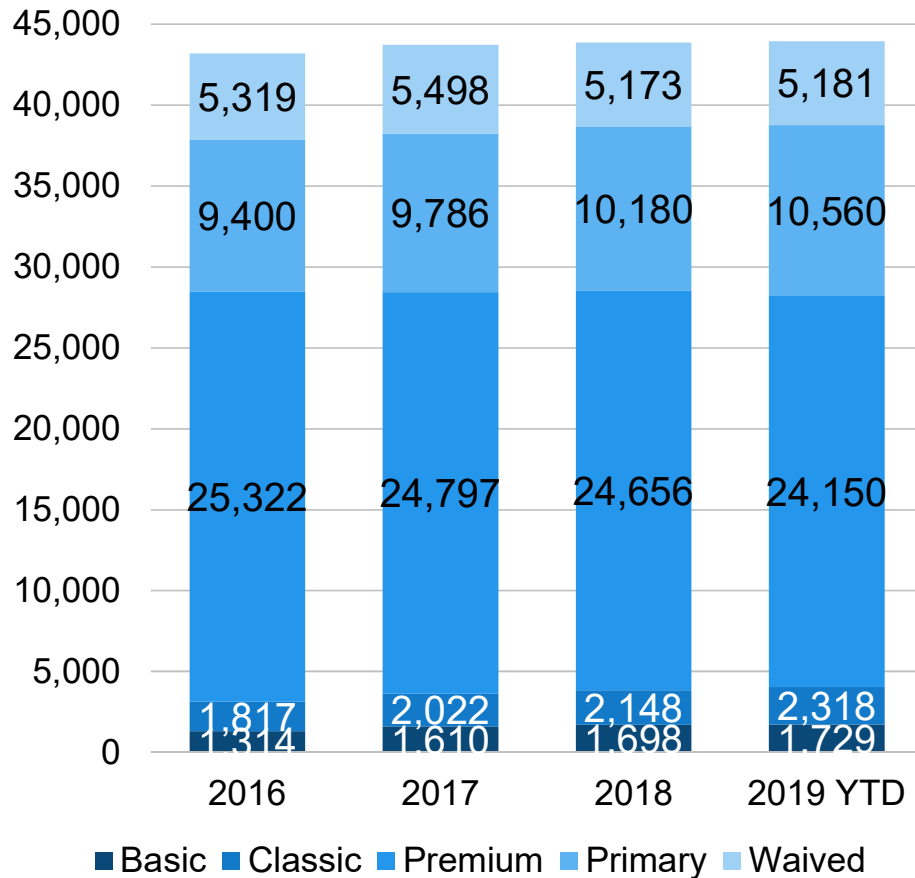
The chart represents the reserves amounts allocated each year (in millions), and how much reserves are available each year.



## ASE - Average Membership by Plan



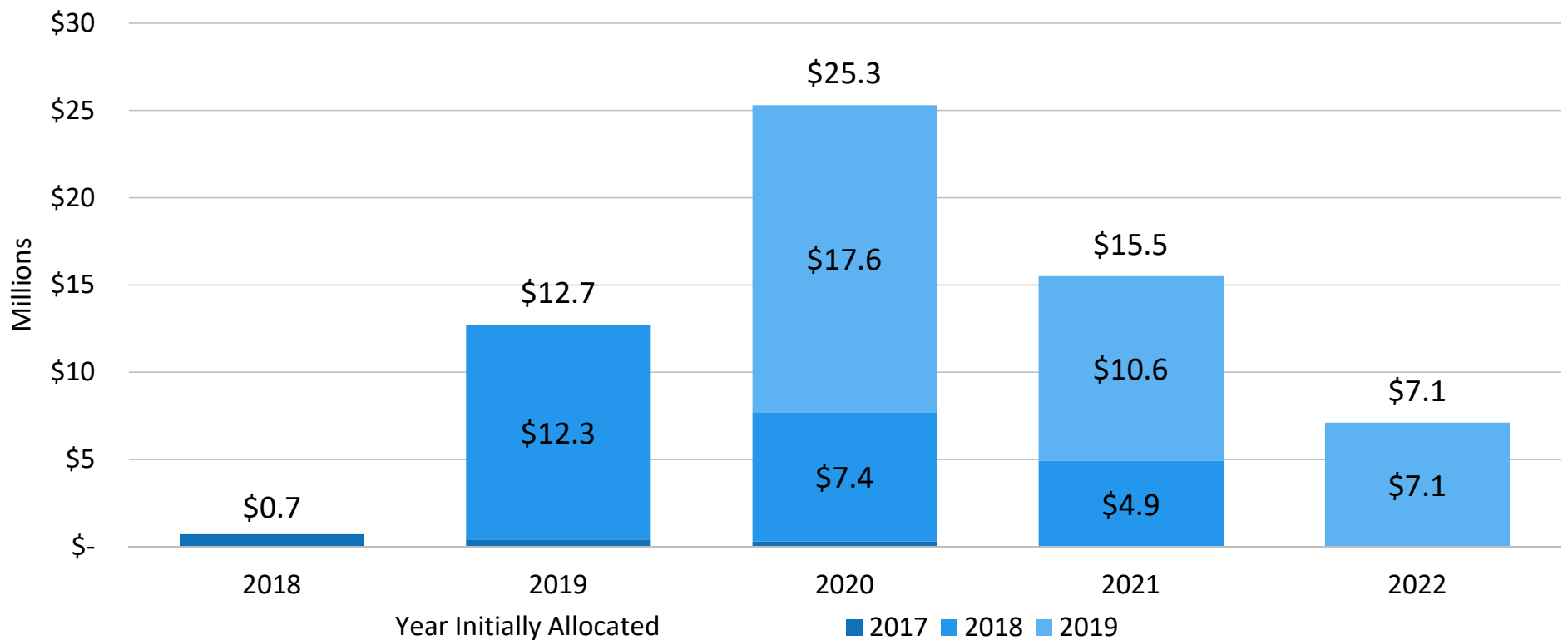
## ASE - Average Enrollment (Subscribers) by Plan



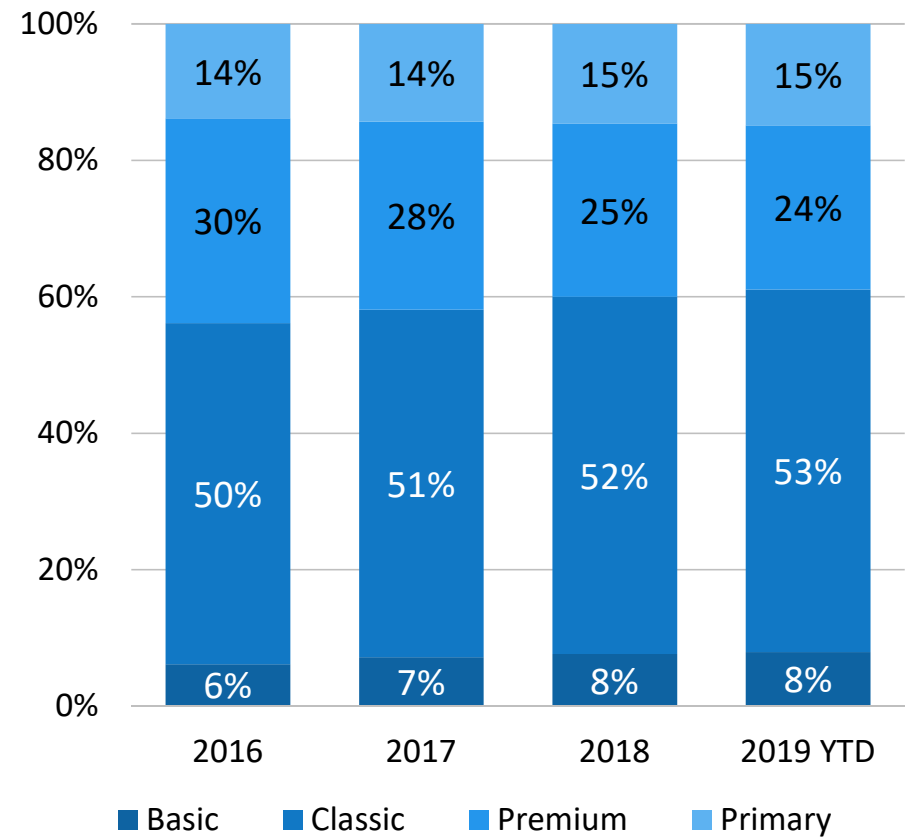
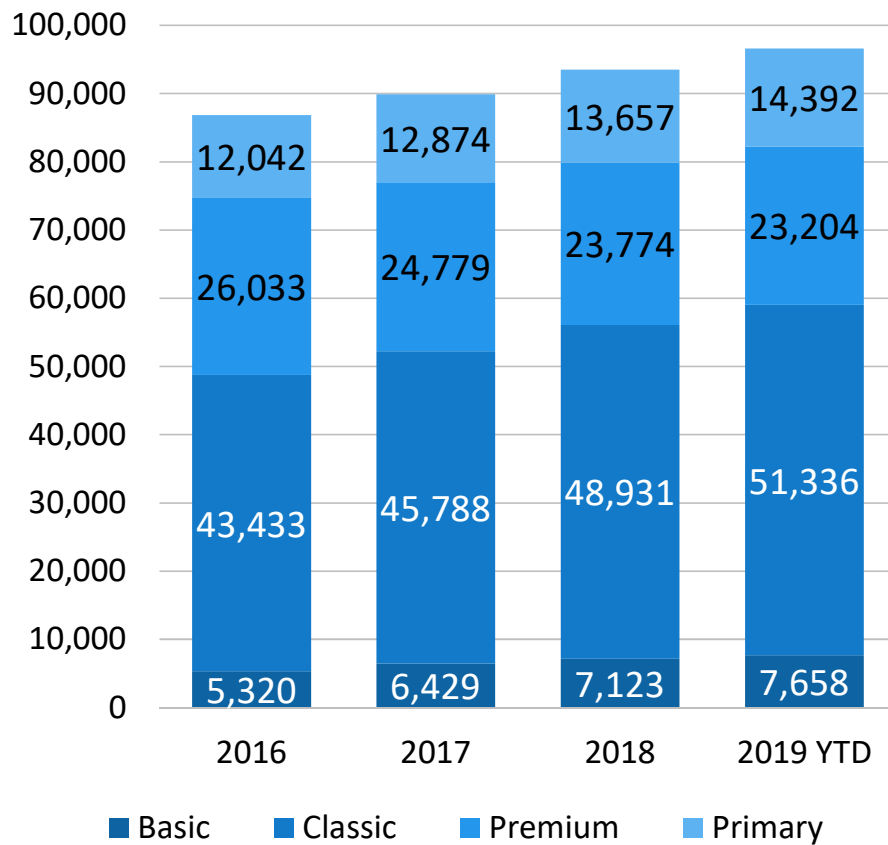


## PSE - Reserves Allocation by Year

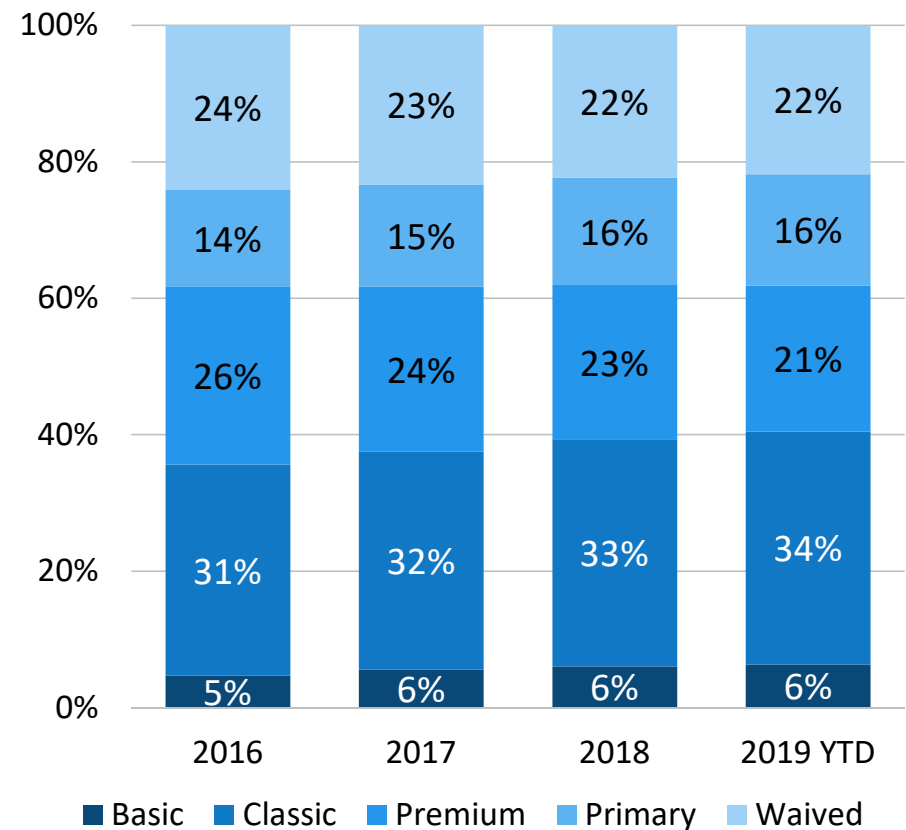
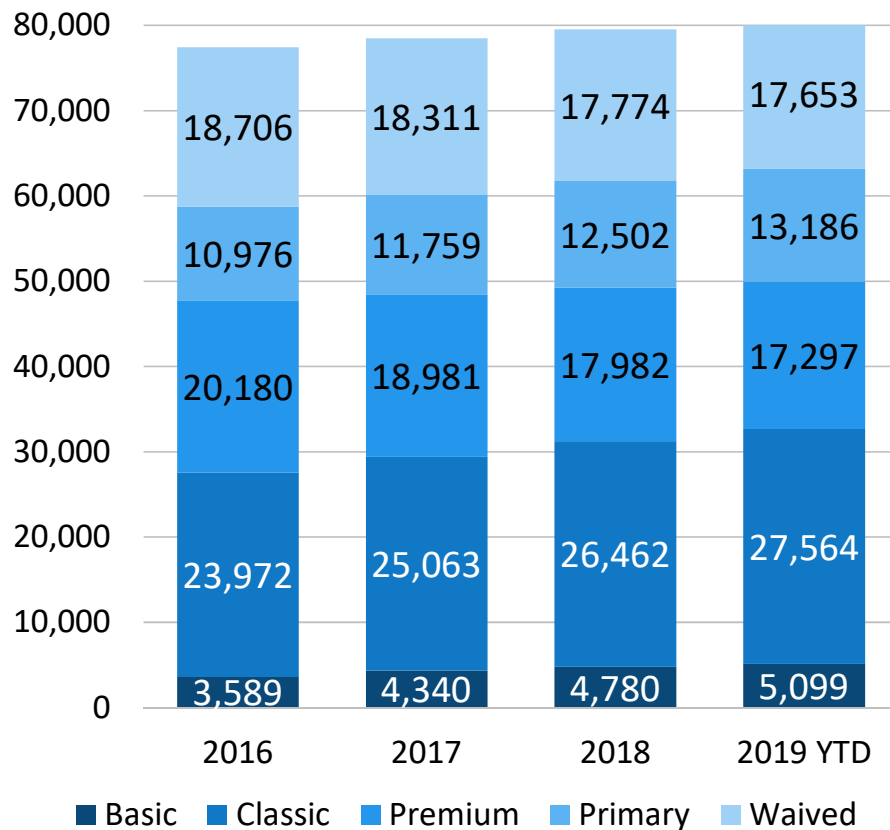
The chart represents the reserves amounts allocated each year (in millions), and how much reserves are available each year.



## PSE - Average Membership by Plan



## PSE - Average Enrollment (Subscribers) by Plan



# Assumptions & Methodology

## Assumptions - Trend

Division	Group	Medical Trend	Pharmacy Trend
ASE	Active/Pre-65 Retirees	5.0%	8.0%
	Post-65 Retirees	5.0%	8.0%
PSE	Active/Pre-65 Retirees	6.0%	8.0%
	Post-65 Retirees	5.0%	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 November 2019
  - Projected December 2019 based on historical seasonality pattern
  - Projected 2020 based on historical trend rates
- Pharmacy Savings
  - \$1.25 million in savings per month beginning in September 2019. Allocated between ASE / PSE based on pharmacy claims expense.
  - Pharmacy claims starting to reflect savings beginning in June 2019
- QualChoice Run-out Administration Fees
  - Actual run-out fees through September 2019
- Plan Administration Expense
  - ASE - \$3.96 PMPM for CY2019 (\$4.37 PMPM for CY2020)
  - PSE - \$2.26 PMPM for CY2019 (\$2.51 PMPM for CY2020)

# Assumptions & Methodology

## Methodology

1. Summarized fee-for-service (FFS) medical and pharmacy claims incurred from November 1, 2018 to October 30, 2019 and paid from November 1, 2018 to December 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 November 1, 2018 to October 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 – October 2019 along with projected claims experience from November 1, 2019 – December 31, 2019.
6. 2020 Projected the incurred claims PMPM from the midpoint of the experience period (May 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 meets the Qualification Standards of the American Academy of Actuaries to render opinion contained herein. To the best of our knowledge and belief, this analysis is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

The assumptions used in the development of the 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

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