



AGENDA

State and Public School Life and Health Insurance Board

September 18, 2018

1:00 p.m.

EBD Board Room – 501 Building, Suite 500

- I. Call to Order..... Carla Haugen, Chair*
- II. Intro of New Board Member..... Chris Howlett, EBD Executive Director*
- III. Approval of August 2018 Minutes Carla Haugen, Chair*
- IV. ASE-PSE August Financials Cheryl Reed, EBD Fiscal Officer*
- V. Quality of Care Updates Margo Bushmaier, Q of C Chair*
- VI. Minnesota Life/Securian Michelle Galle*
- VII. Director's Report Chris Howlett, EBD Executive Director*

Upcoming Meetings

October 16, 2018, November 20, 2018, December, 18, 2018

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.

STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE BOARD MEETING MINUTES

184th meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on September 18, 2018 at 1:00 p.m. in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock AR 72201.

Date | time 9/18/2018 1:00 PM | Meeting called to order by Carla Haugen, Chair

Attendance

Members Present

Dr. Terry Fiddler
Stephanie Lilly-Palmer
Renee Mallory - Vice-Chair
Greg Rogers
Dr. Lanita White
Dr. John Kirtley
Carla Haugen - Chair
Rett Hatcher
Dori Gutierrez
Herb Scott
Melissa Moore
Lisa Sherrill
Cindy Allen
Chris Howlett, Employee Benefits Division Executive Director

Members Absent

Cindy Gillespie

OTHERS PRESENT:

Eric Gallo, Rhoda Classen; Shalada Toles, Cheryl Reed, Jamie Levinsky, Terri Freeman, Allie Barker, Missy Vancil, Shanta Jones, EBD; Sandra Wilson, Active Health; Ronda Walthall, ARDOT; Marc Watts, ASEA; Dr. Dwight Davis, Dr. Micah Bard, UAMS EBRX; Jessica Akins, Takisha Sanders, Jason Treece, Health Advantage; Elizabeth Montgomery, ACHI; Leah Swanson, Lydia Wyatt, Michael Sutton, UAMS; Sylvia Landers, Michelle Galle, Securian; Jackie Baker, ASP; Kristi Jackson, ComPsych; Elizabeth Montgomery, ACHI; Sean Seago, MERCK; Donna Morey, ARTA; Mike Pohl, Kannact; Charles Warren, FSPS; Sean Seago, MERCK; Suzanne Woodall, MedImpact; Mark Adkison, Allcare; Frances Bauman, Novo Nordisk; Martha Hill, MW

Approval of Minutes by: Carla Haugen, Chair

MOTION by Scott

Motion to accept the August 21, 2018 minutes.

Lilly-Palmer seconded; all were in favor.

Minutes approved.

Financials by: Cheryl Reed, EBD CFO

Reed reports the financials for August 2018.

For PSE, we paid four weeks of claims for both medical and pharmacy. The FICA savings received for the month was \$501,141, and year-to-date savings was \$4,152,961. We had a net loss of \$235 thousand for the month, and a net increase of \$9.6 million year-to-date. Net assets available are \$52.5 million, and an allocation of reserves was added at the June Board meeting.

For ASE, we paid four weeks of claims for both medical and pharmacy. We had a net gain of \$2.78 million for the month, and a net gain of \$2.75 million year-to-date. The net assets available are \$9.9 million, and an allocation of reserves was added at the June Board meeting.

The projected vs. actual claims and expenditures report shows the numbers from the current month, the year-to-date and the differences. The monthly amounts are for August 2018, and the year-to-date amounts are for January-August 2018.

Quality of Care Sub-Committee Report by: Elizabeth Montgomery, ACHI

The Quality of Care Sub-Committee met on September 11, 2018, and there was a presentation from ACHI regarding the top 2 most low-value wasteful services using the MedInsight Health Waste Calculator. Of the 42 measures assessed, eight measures account for 69 percent of low-value services, and the top eight low-value services (based on cost) represent 85 percent (\$13 million) of the total low-value dollars. Among all EBD members enrolled in 2017, 91,051 had at least one of these 42 low-value services. Montgomery reported that they will be coming back with more measures next month.

Discussion:

Dr. Fiddler The only way to reduce the cost and effectively improve member services is to make sure ASE/PSE members are aware of their own health and are ready to actively discuss this with providers. If a provider is doing this because they normally do it, it has proven that it does not lead to better health care. It will take one of two things, just because a patient wants something doesn't mean you do

it, and just because a provider wants to do something because they have done it in the past, doesn't mean you continue in that process. Just because it is paid for, doesn't mean you do it.

- Dr. Kirtley Looking at the overall presentation, it looks like the baseline lab studies is about 5 million and annual EKGs for low risk patients is another 3 million. Tell me about the eye imaging tests.
- Montgomery Eye imaging tests has to do with cataract screenings, and potential imaging that takes place before surgery. This represents the top eight services ranked in order of cost.
- Dr. Kirtley How do we cut down on just those three that make up 10 million?
- Montgomery This is certainly what Dr. Fiddler addressed with member and provider education, and this creates some opportunities for intervention. Choosing Wisely has several great resources that are developed in partnership with consumer reports, and giving some notification to providers about where they land on the spectrum. We are hoping that some awareness will lead to changes.
- Dr. Kirtley **Are we able to identify a certain group of providers that specifically need this education that are high utilizers of these services?**
- Montgomery Yes, sir. We can certainly see the service provider on the claims, and this can be take away and a next step.
- Hatcher There was something on the list about doctors prescribing antibiotics for sinus infections, but why is that not on the list?
- Montgomery That fell off the list when we ran it for 2017. This just shows the top eight.
- Hatcher It is interesting that it would be on the top of the list one year, and then not on the list the next year. I am an accountant/investment not a doctor, but you do see on the bottom of every investment report it states that the past performance is not indicative of future performance. I know we are not taking action on anything today, but I think we need to be very careful about any action we do take on this. The medical industry continues to evolve. Our plans are doing well, and we don't need to come between the patient and the provider. I do not think we can tell the doctors what to test for.
- Montgomery That was some discussion at Quality of Care and at the heart of Choosing Wisely is to promote those conversations between patients and providers.
- Hatcher **I would be interested in seeing how this list changed from year to year.**
- Howlett That is one of the takeaways from the Quality of Care meeting to assess previous plan years. The previous Board adopted Choosing Wisely in 2016 as the guiding hand in that, and as we evolved we have looked at different subsets of our populations and looked at the claims spend. It is more of a guiding hand in

principle more than a formal recommendation. Most doctors look at prescriptive authority, and this is between doctor and patient, and what once wasn't there is now and vice versa. The goal of Quality of Care committee is looking to explore at what we might want to do.

- Dr. Kirtley A large part of education with this is to treat the individual patient not the bulk. As a pharmacist and as flu season approaches, I can tell you what is on a prescription from this clinic. Every single person is treated the same way for that one thing. This is a much more malleable group of people. Just because you are doing an eye procedure doesn't mean they need a high dollar imaging tests. That is a multi-million-dollar problem.
- Montgomery What we like about this initiative, these recommendations do come from the specialty societies. There is a range of interventions. Dr. Zohoori mentioned the success of the Health Department intervention and the drastic change in that behavior.
- Dr. Kirtley If the list changes, it can be a sign of progress. Antibiotic stewardship education has been going on for years and years, and it is driven by the healthcare providers in the field. The infectious disease folks that are saying if you do this over here it completely hoses our ability to care for high risk patients over there. This is a gap analysis. We are not telling them you can't do this, but be more deliberate about how this works because we may have to cut your reimbursement and increase the patient's cost due to unnecessary testing.

Minnesota Life/Securian by: Michelle Galle

Galle introduced herself and gave some background on how we arrived here today. Minnesota Life has underwritten the ARBenefits combined ASE/PSE group life insurance plan since January 1, 2013. Prior to 2016, the groups had been priced together—at the same premium rates—as requested in the combined RFP for coverage effective January 1, 2013. Effective with the January 1, 2016 renewal, ARBenefits requested that the plans be priced independently, and we therefore began reporting premium claims separately for the two groups. This renewal analysis is based on current group demographics and independent ASE/PSE experience as reported for 2016-2017

Discussion:

- Hatcher Can you please give an overview of the policies offered?
- Gaelle They provide a Basic life benefit for \$10,000 for active employees, and the employees have the option to purchase an additional \$40,000 for ASE at the same premium rate. At the school districts, they can operate independently and the schools choose if they want to opt out of the program. There is a supplemental plan that the employee can purchase up to \$250,000 up until retirement if they choose. There is also coverage up to \$50,000 on children and spouses.

Dr. Fiddler	I don't understand anything about this, but how do you determine this increase is going to be so large? Is it because of past losses and future possible losses?
Gaelle	Yes
Dr. Fiddler	Will this be for the next three years?
Howlett	We get an initial three-year period, and then it can be renewed with 4 one-year options after that, totaling seven years. They give us a price for three years, and then they negotiate up after that.
Rogers	Is it going to be offered as a separate entity to both PSE and ASE, or is one company going to get both contracts? Have you ever considered offering a minimum price and then letting multiple companies be able to?
Howlett	We can frame it any which way.
Dr. Kirtley	One fear was, it becomes much harder to get competitive bids when you are not going to get an entire group of a population. If you are trying to guess at numbers at a contained population, then you may get the best ones with the lowest price or the worst ones.
Rogers	If you offered more, you might get more of the school districts willing to participate.
Haugen	On page 5, is this rate increase only going to affect retirees basic, expanded basic, spouse and active spouse as well? Is the active spouse on the retiree or active?
Galle	Active. Yes, the top is the state proposed rates and the bottom is the school. We are proposing to slowly increase that capped 75+ rate to where it slowly needs to be. For the schools, the only active rate we are proposing to increase is the spouse rate. This shows you the increases, and they are very substantial. These are very necessary the way the experience played out. If you look at the cost of the insured, they are not so drastic as this sounds.
Haugen	Will you allow those that need the increase to drop dollar amounts on these policies?
Galle	Yes, and we will need to work with someone here to see what communication campaign was used last time and do that again.
Rogers	Are we approving this rate increase today? Is that what we are supposed to do?
Haugen	I don't know that I am comfortable with this limited data at the moment, but I can't make a motion.
Rogers	We would only have 3 months to tell everyone your life insurance rates are going up, and it is runs from January to December.

Howlett Yes, and Minnesota Life would run a communications campaign to let everyone know. Sylvia Landers works for Minnesota Life/Securian and goes to the HIRs and the respective agencies and districts. She would educate during open enrollment process for 2019 this October.

Rogers What happens if we don't approve the rate increase?

Howlett Then they stay with the current rates.

Dr. Kirtley Then that gives them the option of not renewing the contract January 1st, correct?

Howlett We have already executed the extension, but they have a right to bow out or execute a cancellation. I would say in that perspective we are in a situation then of how we deal with those policies and how it effects our schools and agencies.

Haugen We have retiree representatives on the board. How do you feel about this?

Allen Obviously, I look at this and think why are they picking on us. I understand we are older, but this is a rather huge increase of 50%. Most retirees are on a fixed income. I think this will be a shock to them, and it is a very big increase for an exact population.

Scott I tend to concur with that as well. I can understand their position, but I am not sure of the retiree population. This is a pretty steep increase.

Hatcher Retiree basic is that the \$10,000?

Galle Yes, and that reduces to \$5,000 at retirement.

Hatcher So, the same for the retiree spouse, and that only effects 181 people on the PSE plan.

Galle Yes.

Hatcher What is the expanded Basic?

Galle That is the option to purchase the additional \$40,000 at that same flat premium rate. Usually any contributory coverage is paid at an age based table, but we have always let everyone have the flat premium rate. That is a little problematic with retirees in there and a relatively low shared rate. We are not proposing any increase to the active or retiree supplemental, and that age-based table works well. As the population grows, that flat rate needs to go up to account for the increased retirees.

Hatcher Most retired teachers get the \$10,000 benefit offered through teacher retirement. The monthly increase right now they are paying \$2.90 on average and that would be going up to \$4.35. The average teacher is getting a \$650 cost of living increase, so I am less concerned about retiree cost going up knowing they have the 3% COLA each year. What data do you want before seeing a motion?

- Haugen I didn't see the member count that actually falls in that. I didn't see that part first, but I also didn't know that they got the \$10,000.
- Dr. Kirtley If you look at the overall evidence, I remember some of it with the teachers that were grandfathered in and we did not know the effect we would have in the end. The more public school employees that stayed in the plan, the more stability it would give to the plan rates. Seeing that the experience has had a more negative impact of the stability of the plan, do we want to keep the plan stable or do we want to unfortunately not effect these few 100 people? I remembered back then that the retiree rates for the state were much higher when you got to 75+ because we did not do any sort of grandfathering to stabilize that rate. People will be mad no matter what change there is if there is an increase.
- Haugen I just want to be sure on this open enrollment, if somebody chooses to change the amount they have, then they don't have to re-certify. They can just down their amount without going for any more medical. If they decide they don't want \$75,000, they want \$50,000 then you will not make them re-certify to get that coverage again.
- Galle Absolutely not. In fact, the only evidence ever needed is for an increase in coverage.
- Dr. Kirtley As long as they are well informed about that decision, if they stay where they are for those retirees that it will increase their cost. Even if we didn't change it now, there would be a more significant change in the amount if we had to go back through the bid process again.
- Haugen My memory was a lot of conversion issues and people having to re-certify medically, and I want to make sure that if our members want to go down then they do not have to deal with a lot of red tape.
- Dr. White So they don't re-certify if they decrease, but they do if they increase?
- Galle Yes, they would need to submit evidence of good health.
- Haugen Do I have a motion?
- Hatcher What is the consequence if we wait?
- Dr. Kirtley I think if we are going to change, we need to do it now. If we do not change, what will change in our offer at the current rate? If you want me to,

MOTION by Dr. Kirtley

**I will make a motion to adopt the rates as proposed for January 1, 2019.
(Slide 5)**

Hatcher seconded.

Dr. Fiddler I have to go with what you all think, but I do not know enough about this. I will vote for this because of your past experiences.

Dr. Kirtley I can tell you we had a lot of gut-wrenching decisions to make, and we knew this was coming. It's not great, but I am glad it is not worse. If you go shop this type of insurance at this point, it is not cheap, especially for my parents, my grandparents. This is a learning experience for all of us, and we only have three of us with any significant time on the board.

Rogers This was the only option we got. I know last time you had the opportunity to look at some blended stuff for options to keep it down, and I wonder why we didn't have that option, especially when it could only be for one more year and then they are doing another RFP. Everyone will look at rates and come in with something more comparable. If it resets after one year, I would feel better about this. I feel like we just had the buck passed down to us. You got the advantage of doing a blended, and I wonder why we didn't too.

Howlett We have the option today to reject the new rates and propose slide 4 and with literature from previous discussions. You can negotiate now.

Rogers Is this the only option we have?

Dr. Kirtley You can make a motion to amend the motion. It starts getting more complicated at that point. The other option would be to vote this down and request more information for a different set of options.

Dr. Fiddler You already said you are on a time period of three months, so does it make sense to ask for different numbers in one month? I am not going to vote against it, but I am not for it.

Howlett I don't anticipate to get any better numbers. I believe that the respective Board members made proposals during those discussions before.

Lily-Palmer Just to clarify, everything cuts in half. The Basic and the expanded basic cut in half at retirement, and I have a lot of people decline it. People don't want to carry it over because of the rate, but I also see the claim loss and both sides of the coin.

Scott Chris, I was not prepared to see this presentation. Are we just now knowing about this? Did we just now know about this, or did we know about it six months ago?

Dr. Kirtley We knew we were going to be asked to increase it at some point, and the rates that we initially adopted, looking back on this, when we went on the ASE side we did an age dependent scale instead of a flat model basically. We did not adopt the same rates on the ASE side that we did on the PSE side, and that was our blending so to speak. It was matching the old rates to grandfather them in

because that is what we felt like we were getting into with the bid process even though we were not the ones that did the bid.

Howlett There were objections to the different rates that were being requested. I don't know that we could have asked for any different information absent the claims experience earlier on. I don't know that the ask would be any different. There was a motion and a second, but we are still at a deciding point.

Mallory All in favor of page 5 rates?

Howlett Madam Chair, can we do a roll call?

For

- Dr. Lanita White
- Dr. Terry Fiddler
- Dr. Kirtley
- Hatcher
- Moore
- Sherrill
- Lilly-Palmer

Against

- Guitierrez
- Rogers
- Scott
- Allen

Motion passed.

Director's Report by: Chris Howlett, EBD Executive Director

Howlett reported that Naturally Slim was approved an additional pilot and 1887 applications rolled in for that, breakout of 1030 PSE and 857 ASE. Kannact, the diabetic program approved by this board, has 1054 enrolled as of now and are set to begin September 27, 2018. Catapult has had 29,836 worksite check-ups completed, and 130 confirmed clinics scheduled in October.

Meeting Adjourned.

Arkansas State Employees (ASE) Financials - January 1, 2018 through August 31, 2018

	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	1643	47		1690		2599	63		2662
CLASSIC	2104	68		2172		3520	93		3613
PREMIUM	22354	2078		24432		38329	2597		40926
PRIMARY		207	10083	10290			434	13012	13446
TOTAL	26101	2400	10083	38584		44448	3187	13012	60647

REVENUES & EXPENDITURES

		Current Month	Year to Date (8 Month)
Funding			
1 State Contribution	\$	14,575,764	\$ 116,398,940
2 Employee Contribution	\$	8,037,046	\$ 64,593,830
3 Other	\$	1,180,893	\$ 9,884,344
4 Allocation of Reserves	\$	1,501,000	\$ 12,008,000
Total Funding	\$	25,294,703	\$ 202,885,114
Expenses			
Medical Expenses			
5 Claims Expense	\$	14,612,685	\$ 130,874,309
6 Claims IBNR	\$	-	
7 Medical Administration Fees	\$	1,131,710	\$ 9,670,265
8 Refunds	\$	-	
9 Employee Assistance Program (EAP)	\$	54,057	\$ 435,861
Life Insurance	\$	77,883	\$ 629,008
Pharmacy Expenses			
11 RX Claims	\$	6,336,862	\$ 53,651,167
12 RX IBNR	\$	-	\$ (600,000)
13 RX Administration	\$	122,276	\$ 980,841
14 Plan Administration	\$	180,381	\$ 3,287,426
Total Expenses	\$	22,515,855	\$ 198,928,877
15 Net Income/(Loss)	\$	2,778,848	\$ 3,956,237

BALANCE SHEET

Assets		
16 Bank Account	\$	7,766,910
17 State Treasury	\$	97,955,268
18 Due from Cafeteria Plan	\$	5,561,503
19 Due from PSE	\$	-
20 Receivable from Provider	\$	-
21 Accounts Receivable	\$	(487,102)
Total Assets	\$	110,796,579
Liabilities		
22 Accounts Payable	\$	830
23 Deferred Revenues	\$	3,780
24 Due to Cafeteria	\$	4,139
25 Due to PSE	\$	187,681
26 Health IBNR	\$	25,700,000
27 RX IBNR	\$	1,400,000
Total Liabilities	\$	27,296,429
Net Assets	\$	83,500,150
Less Reserves Allocated		
28 Premiums for Plan Year 1/1/18 - 12/31/18 (\$5,040,000 + \$8,262,000 + \$4,710,000)	\$	(6,004,000)
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	\$	9,938,150

Arkansas State Employees (ASE) Financials - January 1, 2017 through August 31, 2017									
BASIC CLASSIC PREMIUM PRIMARY TOTAL	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
	1582	47		1629		2505	65		2570
	1969	72		2041		3265	95		3360
	22510	2143		24653		38791	2700		41491
		214	9718	9932			445	12654	13099
TOTAL	26061	2476	9718	38255	44561	3305	12654	60520	
REVENUES & EXPENDITURES									
Funding						Current Month	Year to Date (8 Months)		
State Contribution						\$ 14,532,280	\$ 117,031,628		
Employee Contribution						\$ 8,084,057	\$ 64,844,581		
Other						\$ 1,236,363	\$ 11,371,535		
Allocation of Reserves						\$ 1,777,500	\$ 14,220,000		
Total Funding						\$ 25,630,201	\$ 207,467,744		
Expenses									
Medical Expenses									
Claims Expense						\$ 13,659,620	\$ 105,694,805		
Claims IBNR						\$ -	\$ (2,300,000)		
Medical Administration Fees						\$ 1,281,997	\$ 9,136,893		
Refunds						\$ 270	\$ 3,705		
Employee Assistance Program (EAP)						\$ 55,092	\$ 439,320		
Life Insurance						\$ 79,353	\$ 632,693		
Pharmacy Expenses									
RX Claims						\$ 5,937,510	\$ 50,144,539		
RX IBNR						\$ -	\$ 300,000		
RX Administration						\$ 121,339	\$ 931,782		
Plan Administration						\$ 280,030	\$ 3,195,369		
Total Expenses						\$ 21,415,210	\$ 168,179,106		
Net Income/(Loss)						\$ 4,214,991	\$ 39,288,638		
BALANCE SHEET									
Assets									
Bank Account							\$ 23,013,035		
State Treasury							\$ 96,298,229		
Due from Cafeteria Plan							\$ 5,561,503		
Due from PSE							\$ -		
Receivable from Provider							\$ -		
Accounts Receivable							\$ (367,866)		
Total Assets							\$ 124,504,901		
Liabilities									
Accounts Payable							\$ 3,143		
Deferred Revenues							\$ 3,780		
Due to Cafeteria							\$ 150		
Due to PSE							\$ 421,908		
Due to Federal Government (\$27 fee)							\$ -		
Health IBNR							\$ 25,700,000		
RX IBNR							\$ 2,000,000		
Total Liabilities							\$ 28,128,981		
Net Assets							\$ 96,375,920		
Less Reserves Allocated									
Premiums for Plan Year 1/1/17 - 12/31/17 (\$7,560,000 + \$13,770,000)							\$ (7,110,000)		
Premiums for Plan Year 1/1/18 - 12/31/18 (\$5,040,000 + \$8,262,000 + \$4,710,000)							\$ (18,012,000)		
Premiums for Plan Year 1/1/19 - 12/31/19 (\$5,508,000 + \$2,826,000)							\$ (8,334,000)		
Premiums for Plan Year 1/1/20 - 12/31/20 (\$1,884,000)							\$ (1,884,000)		
Catastrophic Reserve (2017 \$20,600,000)							\$ (30,600,000)		
Net Assets Available							\$ 30,435,920		
Fifth Week of Claims \$									

ASE Cafeteria Plan Financials - January 1, 2017 through August 31, 2017

Revenues & Expenditures

<u>Funding</u>	<u>Current Month</u>	<u>Year to Date (8 months)</u>
FICA Savings	\$ 408,116	\$ 3,213,715
Interest, Penalties, Tax Set Off	\$ 6,105	\$ 45,322
Total Funding	\$ 414,220	\$ 3,259,037
Expenses		
Plan Administration	\$ 533	\$ 16,153
Forfeited Benefits (Annual Expense)	\$ -	\$ 82,649
FICA Savings Transfer (Annual Expense)	\$ -	\$ 4,703,255
Total Expenses	\$ 533	\$ 4,802,057
Net Income/(Loss)	\$ 413,688	\$ (1,543,020)

Balance Sheet

Assets

State Cafeteria (Flexible Benefits)	\$ 603,641
Admin Acct (FICA Savings)	\$ 216,356
State Treasury	\$ 5,362,551
Due from Health Plan	\$ 150
Due from State Employee Fund	\$ -
Accounts Receivable	\$ 47,349
Total Assets	\$ 6,230,048

Liabilities

Accounts Payable	\$ (128,212)
Due to Health Plan (FICA Savings Annual)	\$ 4,703,914
Due to Health Plan (Forfeited Benefits Annual)	\$ 857,589
Total Liabilities	\$ 5,433,291

Net Assets	\$ 796,757
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Public School Employees (PSE) Financials - January 1, 2018 through August 31, 2018									
	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
BASIC	4388	503		4891		6556	655		7211
CLASSIC	24246	2308		26554		46164	2740		48904
PREMIUM	16993	589		17582		22689	634		23323
PRIMARY		62	12675	12737			126	13789	13915
TOTAL	45627	3462	12675	61764		75409	4155	13789	93353
REVENUES & EXPENDITURES									
						Current Month	Year to Date (8 Month)		
Funding									
Per Participating Employee Funding (PPE Funding)						\$ 7,978,267	\$ 66,333,051		
Employee Contribution						\$ 9,680,036	\$ 77,970,184		
Department of Education \$35,000,000 & \$15,000,000 & Other Funding						\$ 4,583,333	\$ 66,016,667		
Other						\$ 1,087,659	\$ 8,940,000		
Allocation of Reserves						\$ 1,883,333	\$ 15,066,664		
Total Funding						\$ 25,212,628	\$ 234,326,566		
Expenses									
Medical Expenses									
Claims Expense						\$ 18,771,002	\$ 148,329,352		
Claims IBNR						\$ -	\$ 2,300,000		
Medical Administration Fees						\$ 1,724,984	\$ 14,864,032		
Refunds						\$ -			
Employee Assistance Program (EAP)						\$ 106,108	\$ 663,043		
Pharmacy Expenses									
RX Claims						\$ 4,564,461	\$ 35,869,244		
RX IBNR						\$ -	\$ (400,000)		
RX Administration						\$ 186,191	\$ 1,517,427		
Plan Administration						\$ 95,362	\$ 3,430,371		
Total Expenses						\$ 25,448,108	\$ 206,573,470		
Less DOE Allocation							\$ (18,100,000)		
Net Income/(Loss)						\$ (235,480)	\$ 9,653,096		
BALANCE SHEET									
Assets									
Bank Account							\$ 30,832,331		
State Treasury							\$ 141,959,664		
Receivable from Provider							\$ -		
Accounts Receivable							\$ 3,907,893		
Due from ASE							\$ 187,681		
Total Assets							\$ 176,887,569		
Liabilities									
Accounts Payable							\$ 290		
Due to ASE									
Deferred Revenues									
Health IBNR							\$ 28,000,000		
RX IBNR							\$ 1,000,000		
Total Liabilities							\$ 29,000,290		
Net Assets							\$ 147,887,279		
Less Reserves Allocated									
Premiums for Plan Year 1/1/18 - 12/31/18 (\$3,840,000 + \$660,000+18,100,000 DOE)							\$ (7,533,336)		
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)							\$ (4,152,961)		
Catastrophic Reserve (2017 \$58,500,000)							\$ (58,500,000)		
Net Assets Available							\$ 52,520,982		

Public School Employees (PSE) Financials - January 1, 2017 through August 31, 2017									
BASIC CLASSIC PREMIUM PRIMARY TOTAL	EMPLOYEE ONLY					EMPLOYEE + DEPENDENTS			
	ACTIVES	RETIREES	MEDICARE	TOTAL		ACTIVES	RETIREES	MEDICARE	TOTAL
	4038	452		4490		6040	586		6626
	23041	2228		25269		43245	2670		45915
	17783	775		18558		23476	835		24311
		65	11956	12021			131	13032	13163
TOTAL	44862	3520	11956	60338		72761	4222	13032	90015
REVENUES & EXPENDITURES									
Funding						Current Month	Year to Date (8 Months)		
1 Per Participating Employee Funding (PPE Funding)						\$ 7,818,846	\$ 65,081,523		
2 Employee Contribution						\$ 9,613,289	\$ 77,217,403		
3 Department of Education \$35,000,000 & \$15,000,000 & Other Funding						\$ 4,583,333	\$ 54,425,758		
4 Other						\$ 1,099,429	\$ 6,478,471		
5 Allocation of Reserves						\$ 3,792,121	\$ 28,691,515		
Total Funding						\$ 26,907,019	\$ 231,894,670		
Expenses									
Medical Expenses									
5 Claims Expense						\$ 16,884,967	\$ 123,939,332		
7 Claims IBNR						\$ -	\$ (4,300,000)		
8 Medical Administration Fees						\$ 1,867,466	\$ 13,816,437		
9 Refunds						\$ -	\$ -		
10 Employee Assistance Program (EAP)						\$ 74,931	\$ 622,207		
Pharmacy Expenses									
11 RX Claims						\$ 4,047,472	\$ 32,305,068		
12 RX IBNR						\$ -	\$ 300,000		
13 RX Administration						\$ 180,856	\$ 1,407,236		
Plan Administration						\$ 322,659	\$ 3,542,838		
Total Expenses						\$ 23,378,351	\$ 171,633,118		
Less DOE Allocation								\$ (18,100,000)	
Net Income/(Loss)						\$ 3,528,668	\$ 42,161,552		
BALANCE SHEET									
Assets									
Bank Account							\$ 18,936,158		
State Treasury							\$ 139,558,233		
Receivable from Provider							\$ -		
Accounts Receivable							\$ 4,982,041		
Due from ASE							\$ 421,908		
Total Assets							\$ 163,898,340		
Liabilities									
Accounts Payable							\$ 1,199		
Due to ASE							\$ -		
Deferred Revenues							\$ -		
Due to Federal Government (\$27 fee)							\$ -		
Health IBNR							\$ 25,700,000		
RX IBNR							\$ 1,400,000		
Total Liabilities							\$ 27,101,199		
Net Assets							\$ 136,797,141		
Less Reserves Allocated									
Premiums for Plan Year 1/1/17 - 12/31/17 (\$5,760,000+\$20,000,000 + \$18,100,000 DOE)							\$ (15,168,485)		
Premiums for Plan Year 1/1/18 - 12/31/18 (\$3,840,000 + \$660,000)							\$ (4,500,000)		
Premiums for Plan Year 1/1/19 - 12/31/19 (\$396,000)							\$ (396,000)		
Premiums for Plan Year 1/1/20 - 12/31/20 (\$264,000)							\$ (264,000)		
Premium Assistance (FICA Savings)							\$ (4,099,463)		
Catastrophic Reserve (2017 \$58,500,000)							\$ (58,500,000)		
Net Assets Available							\$ 53,869,193		
Fifth Week of Claims \$									

PROJECTED PAID CLAIMS AND EXPENSES BY MONTH

PSE

2018 August

Medical Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
22,260,000	18,771,002	(3,488,998)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
141,770,000	150,629,352	8,859,352

Note: IBNR increased for Medical by \$2,300,000

Pharmacy Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
6,090,000	4,564,461	(1,525,539)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
37,830,000	35,469,244	(2,360,756)

Note: IBNR decreased for Pharmacy by \$400,000

Expenses/Other

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
2,660,000	2,112,645	(547,355)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
21,750,000	20,474,873	(1,275,127)

ASE

2018 August

Medical Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
19,050	14,612,685	14,593,635

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
125,950,000	130,874,309	4,924,309

Note: IBNR no change

Pharmacy Claims

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
8,620,000	6,336,862	(2,283,138)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
58,060,000	53,051,167	(5,008,833)

Note: IBNR decreased pharmacy \$600,000

Expenses/Other

PROJECTED	ACTUAL	DIFFERENCE
Monthly	Monthly	Monthly
<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
2,150,000	1,566,307	(583,693)

PROJECTED	ACTUAL	DIFFERENCE
YTD	YTD	YTD
<u>Total</u>	<u>Total</u>	<u>Total</u>
17,380,000	15,003,401	(2,376,599)

PROJECTED PAID CLAIMS AND EXPENSES BY MONTH

PSE

2017 August

Medical Claims	PROJECTED	ACTUAL	DIFFERENCE	PROJECTED	ACTUAL	DIFFERENCE
	Monthly	Monthly	Monthly	YTD	YTD	YTD
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	20,030,000	16,884,967	(3,145,033)	135,640,000	119,639,332	(16,000,668)
	Note: IBNR decreased for Medical by \$4,300,000					
Pharmacy Claims	PROJECTED	ACTUAL	DIFFERENCE	PROJECTED	ACTUAL	DIFFERENCE
	Monthly	Monthly	Monthly	YTD	YTD	YTD
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	4,600,000	4,047,472	(552,528)	33,650,000	32,605,068	(1,044,932)
	Note: IBNR increased for Pharmacy by \$300,000					
Expenses/Other	PROJECTED	ACTUAL	DIFFERENCE	PROJECTED	ACTUAL	DIFFERENCE
	Monthly	Monthly	Monthly	YTD	YTD	YTD
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	2,750,000	2,445,912	(304,088)	22,000,000	19,388,718	(2,611,282)

ASE

2017 August

Medical Claims	PROJECTED	ACTUAL	DIFFERENCE	PROJECTED	ACTUAL	DIFFERENCE
	Monthly	Monthly	Monthly	YTD	YTD	YTD
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	15,200,000	13,659,620	(1,540,380)	123,850,000	103,394,805	(20,455,195)
	Note: IBNR decreased for Medical by \$2,300,000					
Pharmacy Claims	PROJECTED	ACTUAL	DIFFERENCE	PROJECTED	ACTUAL	DIFFERENCE
	Monthly	Monthly	Monthly	YTD	YTD	YTD
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	6,320,000	5,937,510	(382,490)	52,600,000	50,444,539	(2,155,461)
	Note: IBNR increased for Pharmacy by \$300,000					
Expenses/Other	PROJECTED	ACTUAL	DIFFERENCE	PROJECTED	ACTUAL	DIFFERENCE
	Monthly	Monthly	Monthly	YTD	YTD	YTD
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	1,980,000	1,818,081	(161,919)	15,840,000	14,339,762.00	(1,500,238)

NOTES FOR AUGUST 2018 FINANCIALS

PSE

- We paid 4 weeks of claims for both medical and pharmacy.
- FICA Savings received for the month was \$501,141.38, YTD savings \$4,152,961.
- We had a net LOSS of \$235 thousand for the month and a net increase \$9.6 million year-to-date – Line 16.
- Net Assets available are \$52.5 million – Line 34. Allocation of reserves added (June Board Meeting).

ASE

- We paid 4 weeks of claims for both medical and pharmacy.
- We had a net gain of \$2.78 million for the month and net gain of \$2.75 million year-to-date – Line 15.
- Net Assets available are \$9.9 million – Line 33. Allocation of reserves added (June Board Meeting).

Projected vs. Actual Report

The projected vs. actual claims and expenditures report shows the numbers from the current month, the year-to-date (YTD) and the differences. The monthly amounts are for August 2018 and YTD amounts are for January-August 2018.

**Summary of ACHI Presentation to
EBD Quality of Care Subcommittee
September 11, 2018**

The following items were discussed during last Tuesday's Quality of Care Subcommittee meeting:

- Mike Motley and Izzy Montgomery from the Arkansas Center for Health Improvement (ACHI) presented updated analyses on low-value services within EBD (using 2017 data)
 - Reviewed top two low-value services (based on cost):
 - *Unnecessary preoperative baseline lab studies*
 - *Annual electrocardiograms (EKGs) and other cardiac screenings*
- Analyses:
 - ACHI utilized a tool which leverages Choosing Wisely recommendations, U.S. Preventive Services Task Force recommendations, etc., to identify low-value services and spending
 - For EBD, we examined 42 common services deemed to be low-value or potentially unnecessary
 - Other states have also used this tool (Washington and Virginia)
- Findings within EBD Plan 2017:
 - Of the 42 measures assessed, eight measures account for 69 percent of low-value services
 - The top eight low-value services (based on cost) represent 85 percent (\$13 million) of the total low-value dollars
 - Among all EBD members enrolled in 2017, 91,051 had at least one of these 42 low-value services
- Top eight Low-Value Services within EBD (2017):

Low-Value Service	Low-Value Total Dollars	Number of Distinct Members with a Low-Value Service	Number of Low-Value Services
Don't obtain baseline laboratory studies in patients without significant systemic disease (ASA I or II) undergoing low-risk surgery – specifically complete blood count, basic or comprehensive metabolic panel, coagulation studies when blood loss (or fluid shifts) is/are expected to be minimal.	\$4,937,308	11,254	18,242
Don't order annual electrocardiograms (EKGs) or any other cardiac screening for low-risk patients without symptoms.	\$3,083,194	17,754	22,470
Don't routinely order imaging tests for patients without symptoms or signs of significant eye disease.	\$1,609,898	10,580	17,812
Don't perform coronary angiography in patients without cardiac symptoms unless high-risk markers present.	\$1,494,996	1,227	1,297
Don't order unnecessary cervical cancer screening (Pap smear and HPV test) in all women who have had adequate prior screening and are not otherwise at high risk for cervical cancer.	\$730,595	7,635	7,732
Don't perform stress cardiac imaging or advanced non-invasive imaging in the initial evaluation of patients without cardiac symptoms unless high-risk markers are present.	\$672,102	2,445	2,585
Don't obtain EKG, chest X rays or Pulmonary function test in patients without significant systemic disease (ASA I or II) undergoing low-risk surgery.	\$341,951	3,731	6,893
Don't perform population based screening for 25-OH-Vitamin D deficiency.	\$272,528	4,535	4,985

- Unnecessary preoperative baseline lab studies:
 - Based on Choosing Wisely recommendations from two physician specialty societies (American Society of Anesthesiologists and American Academy of Ophthalmology)
 - Rationale for recommendation:
 - For many, preoperative tests are not necessary because some surgeries are short in duration and do not pose serious risks (such as eye surgeries)
 - Tests typically include complete blood panel, basic or comprehensive metabolic panel, urine testing, and/or coagulation studies
 - Some services are excluded based on conditions and other criteria, such as services where low-risk surgery is on the same day as the evaluation visit — or one day after that visit — for an emergency care or urgent care visit
- Annual EKGs and other cardiac screenings:
 - Based on a Choosing Wisely recommendation from American Academy of Family Physicians
 - Rationale for recommendation:
 - Little evidence that detection of coronary artery stenosis (blocking or narrowing of the arteries) in low-risk patients improves health outcomes
 - False positives are likely to lead to unnecessary invasive procedures, overtreatment, and misdiagnosis
 - Potential harms of routine annual screening exceed the potential benefits
 - For this measure, cardiac screening tests were deemed appropriate (and excluded from this analysis) for a number of clinical circumstances, such as history of coronary heart disease (CHD)
- Next steps:
 - Over the next few months, further assessment of each of these services will be presented and discussed in Quality of Care Subcommittee meetings
 - Will discuss possible recommendations, which may include the following:
 - Tailored member education
 - Provider-level education
 - Review of prior authorization criteria or medical utilization management practices
 - Provider-level assessment of variation
 - Review of value-based payment models

RENEWAL

ARBENEFITS LIFE

Presented April 2018
Revised September 2018

Policy Numbers: 33432 and 33553

Submitted by:
Minnesota Life Insurance Company



ARBenefits Executive Summary

Minnesota Life has underwritten the ARBenefits combined ASE/PSE group life insurance plan since January 1, 2013. Prior to 2016, the groups had been priced together--at the same premium rates--as requested in the combined RFP for coverage effective January 1, 2013. Effective with the January 1, 2016 renewal, ARBenefits requested that the plans be priced independently, and we therefore began reporting premium and claims separately for the two groups. This renewal analysis is based on current group demographics and independent ASE/PSE experience as reported for 2016-2017.

ANALYSIS

- The experience for both groups continues to perform worse than hoped for, driven primarily by the growing retiree populations and poor active employee participation among the various schools.
- Retiree claims experience has historically been supported by active premiums, as witnessed by the close correlation between the premium rates. But as the retiree plans grow, there is no longer adequate premium collected on the active populations to offset the increased mortality costs associated with retiree coverage.
- As discussed at the time of the 01/2016 renewal, several unexpected changes took place following the 01/2013 RFP that also impacted the experience and resulted in Minnesota Life collecting significantly less premium than expected and than necessary to cover the cost of claims and expenses incurred under the plan.
 - School districts were allowed to opt out of the basic and supplemental life programs
 - The supplemental lapse rate among participating school districts was very high
 - A high number of PSE employees replaced existing supplemental coverage with expanded basic coverage
 - The retiree supplemental life rate was capped at \$3.70 for existing PSE retirees as of 01/01/2013

RESULTS

- When pricing group life insurance, the extent to which the claims experience of the group is used to predict future claims experience depends in large part on the size of the group. For a large group like ARBenefits, the group's own experience is the primary consideration, and historical loss ratios are compared to established target loss ratio to determine the needed rate change adjustments.
- The analysis results in a 10.6% increase to overall ASE premium and a 15.7% increase to overall PSE premium; in total, this equates to a 13.9% increase to ARBenefits premium. However, this is based on only 24 months of experience. Aggregate ARBenefits experience over a 60-month period suggests a slightly lesser increase may be sufficient to support claims and expenses over the next rate guarantee period.
- In partnership with ARBenefits and State and Schools employees and retirees, we are limiting the overall proposed increase to 9.4%:
 - For the ASE population, we recommend limiting the rate changes to the Retiree Basic/Expanded Basic plans and the Retiree Spouse plan, which are the plans requiring the most significant increases. This renewal option proposes a 50% increase to these retiree rates.
 - For the PSE population, in addition to the same retiree rate increases above, the renewal proposes to increase the capped age 75+ supplemental retiree rate for the grandfathered retirees prior to 01/01/2013. The rate for grandfathered retirees in this age bracket would still be lower than the rate charged to active employees and other retirees, and we believe it should eventually be increased to the same \$7.12 rate paid by all other individuals. However, for the next rate guarantee period, we believe the 50% increase will be adequate. Because of the high amount of volume currently capped at the \$3.70 rate, increasing the 75+ rate by 50% equates to an overall PSE supplemental retiree premium increase of 35%.

The renewal also proposes increasing the PSE Active Spouse Life rate to align with experience and the ASE rate.

- There are a few other components of the life insurance plan that are not included in the main plans discussed here. These programs, namely Accidental Death & Dismemberment coverage and Child Life coverage, aren't rated based on the experience but rather on actuarial analysis and manual claim rates. As there's no compelling reason to change the pricing of these programs, we propose to continue the current rates.
- The proposed rates are outlined on pages 2-3, with monthly costs per insured illustrated on page 4.
- If ARBenefits prefers to structure the rate increases in a different manner, we're happy to provide alternatives.

ARBenefits

State ASE: Renewal Rates and Rate History

	Prior Rates <u>01/2013 - 12/2015</u>	Current Rates <u>01/2016 - 12/2018</u>	Renewal Rates <u>Effective 01/2019</u>
Active Basic/Expanded Basic Life	\$0.150	\$0.230	\$0.230
Retiree Basic/Expanded Basic Life	\$0.290	\$0.580	\$0.870
Basic AD&D	\$0.020	\$0.020	\$0.020
Active Supplemental Life			
Under 25	\$0.070	\$0.070	\$0.070
25-29	\$0.070	\$0.070	\$0.070
30-34	\$0.100	\$0.100	\$0.100
35-39	\$0.110	\$0.110	\$0.110
40-44	\$0.180	\$0.180	\$0.180
45-49	\$0.310	\$0.310	\$0.310
50-54	\$0.500	\$0.500	\$0.500
55-59	\$0.740	\$0.740	\$0.740
60-64	\$1.110	\$1.110	\$1.110
65-69	\$2.180	\$2.180	\$2.180
70-74	\$3.560	\$3.560	\$3.560
75+	\$7.120	\$7.120	\$7.120
Retiree Supplemental Life			
Under 50	\$0.310	\$0.310	\$0.310
50-54	\$0.500	\$0.500	\$0.500
55-59	\$0.740	\$0.740	\$0.740
60-64	\$1.110	\$1.110	\$1.110
65-69	\$2.180	\$2.180	\$2.180
70-74	\$3.560	\$3.560	\$3.560
75+	\$7.120	\$7.120	\$7.120
Active Spouse Life	\$0.440	\$0.660	\$0.660
Retiree Spouse Life	\$0.440	\$0.660	\$0.990
Active Child Life	\$0.100	\$0.100	\$0.100
Retiree Child Life	\$0.100	\$0.100	\$0.100
Supplemental AD&D	\$0.020	\$0.020	\$0.020

*Rate coverage period January 1, 2019 through December 31, 2019

ARBenefits

Schools PSE: Renewal Rates and Rate History

	Prior Rates 01/2013 - 12/2015	Current Rates 01/2016 - 12/2018	Renewal Rates Effective 01/2019
Active Basic/Expanded Basic Life	\$0.150	\$0.150	\$0.150
Retiree Basic/Expanded Basic Life	\$0.290	\$0.580	\$0.870
Basic AD&D	\$0.020	\$0.020	\$0.020
Active Supplemental Life			
Under 25	\$0.070	\$0.070	\$0.070
25-29	\$0.070	\$0.070	\$0.070
30-34	\$0.100	\$0.100	\$0.100
35-39	\$0.110	\$0.110	\$0.110
40-44	\$0.180	\$0.180	\$0.180
45-49	\$0.310	\$0.310	\$0.310
50-54	\$0.500	\$0.500	\$0.500
55-59	\$0.740	\$0.740	\$0.740
60-64	\$1.110	\$1.110	\$1.110
65-69	\$2.180	\$2.180	\$2.180
70-74	\$3.560	\$3.560	\$3.560
75+	\$7.120	\$7.120	\$7.120
Retiree Supplemental Life			
Under 50	\$0.310	\$0.310	\$0.310
50-54	\$0.500	\$0.500	\$0.500
55-59	\$0.740	\$0.740	\$0.740
60-64	\$1.110	\$1.110	\$1.110
65-69	\$2.180	\$2.180	\$2.180
70-74	\$3.560	\$3.560	\$3.560
75+	\$7.120	\$7.120	\$7.120
Grandfathered PSE Retiree Life			
Under 50	\$0.310	\$0.310	\$0.310
50-54	\$0.500	\$0.500	\$0.500
55-59	\$0.740	\$0.740	\$0.740
60-64	\$1.110	\$1.110	\$1.110
65-69	\$2.180	\$2.180	\$2.180
70-74	\$3.560	\$3.560	\$3.560
75+	\$3.700	\$3.700	\$5.550
Active Spouse Life	\$0.440	\$0.550	\$0.660
Retiree Spouse Life	\$0.440	\$0.660	\$0.990
Active Child Life	\$0.100	\$0.100	\$0.100
Retiree Child Life	\$0.100	\$0.100	\$0.100
Supplemental AD&D	\$0.020	\$0.020	\$0.020

*Rate coverage period January 1, 2019 through December 31, 2019

ARBenefits
State ASE and Schools PSE: Monthly Cost Impact

Per Insured Monthly Cost - Low						Per Insured Monthly Cost - High			
<u>State ASE</u>	<u>Member Count</u>	<u>Low Face</u>	<u>Current Cost</u>	<u>New Cost</u>	<u>Increase</u>	<u>High Face</u>	<u>Current Cost</u>	<u>New Cost</u>	<u>Increase</u>
Active Basic Life/AD&D	32,528	10,000	\$2.50	\$2.50	\$0.00	10,000	\$2.50	\$2.50	\$0.00
Active Expanded Basic Life/AD&D	5,722	1,000	\$0.25	\$0.25	\$0.00	40,000	\$10.00	\$10.00	\$0.00
Retiree Basic¹	9,531	1,000	\$0.58	\$0.87	\$0.29	20,000	\$11.60	\$17.40	\$5.80
Retiree Expanded Basic²	959	500	\$0.29	\$0.44	\$0.15	40,000	\$23.20	\$34.80	\$11.60
Active Supplemental Life/AD&D ³	3,580	1,000	\$0.52	\$0.52	\$0.00	250,000	\$129.75	\$129.75	\$0.00
Retiree Supplemental ³	2,639	750	\$1.70	\$1.70	\$0.00	133,000	\$302.31	\$302.31	\$0.00
Active Spouse	3,850	1,000	\$0.66	\$0.66	\$0.00	50,000	\$33.00	\$33.00	\$0.00
Retiree Spouse	2,403	500	\$0.33	\$0.50	\$0.17	25,000	\$16.50	\$24.75	\$8.25

Per Insured Monthly Cost - Low						Per Insured Monthly Cost - High			
<u>Schools PSE</u>	<u>Member Count</u>	<u>Low Face</u>	<u>Current Cost</u>	<u>New Cost</u>	<u>Increase</u>	<u>High Face</u>	<u>Current Cost</u>	<u>New Cost</u>	<u>Increase</u>
Active Basic Life/AD&D	57,786	10,000	\$1.70	\$1.70	\$0.00	10,000	\$1.70	\$1.70	\$0.00
Active Expanded Basic Life/AD&D	9,658	1,000	\$0.17	\$0.17	\$0.00	40,000	\$6.80	\$6.80	\$0.00
Retiree Basic	1,253	5,000	\$2.90	\$4.35	\$1.45	5,000	\$2.90	\$4.35	\$1.45
Retiree Expanded Basic	468	2,500	\$1.45	\$2.18	\$0.73	20,000	\$11.60	\$17.40	\$5.80
Active Supplemental Life/AD&D ³	3,528	1,000	\$0.39	\$0.39	\$0.00	250,000	\$96.75	\$96.75	\$0.00
GF 75+ Retiree Supplemental⁴	1,232	2,000	\$7.40	\$11.10	\$3.70	39,000	\$144.30	\$216.45	\$72.15
All Other Retiree Supplemental ⁵	991	1,500	\$3.96	\$3.96	\$0.00	54,000	\$142.56	\$142.56	\$0.00
Active Spouse	3,778	1,000	\$0.55	\$0.66	\$0.11	50,000	\$27.50	\$33.00	\$5.50
Retiree Spouse	181	2,000	\$1.32	\$1.98	\$0.66	25,000	\$16.50	\$24.75	\$8.25

¹There are some grandfathered retirees from the prior State plan with coverage above or below the \$5,000 benefit. The benefit for retirees on or after 01/01/2013 is \$5,000.

²There are some grandfathered retirees from the prior State plan with coverage in excess of the \$20,000 maximum. The maximum benefit for retirees on or after 01/01/2013 is \$20,000.

³Monthly calculations based on average paid premium rate. There is no proposed increase to rates at any age band.

⁴Monthly calculations based on grandfathered retirees age 75+ with a proposed rate increase from \$3.70 to \$5.55. The average monthly increase for this group is \$30.91 (average face of \$16,708).

⁵Monthly calculations based on average paid premium rate. There is no proposed rate change for these retirees (regular PSE retirees, and grandfathered PSE retirees < age75).

ARBenefits

APPENDIX

ARBenefits
State ASE: 2016-2017 Experience Summary

<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Active Basic	1,743,776	1,215,035	69.7%	-21.4%
Active Expanded Basic	954,146	792,119	83.0%	-6.4%
Total Active Basic	2,697,922	2,007,154	74.4%	-16.1%
<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Retiree Basic	658,258	2,586,163	392.9%	342.9%
Retiree Expanded Basic	215,002	225,780	105.0%	18.4%
Total Retiree Basic	873,261	2,811,943	322.0%	263.0%
<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Active Supplemental	3,023,983	1,443,788	47.7%	-44.7%
Retiree Supplemental	1,833,234	1,721,019	93.9%	8.8%
Total Supplemental	4,857,217	3,164,806	65.2%	-24.5%
<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Active Spouse	796,354	528,749	66.4%	-23.3%
Retiree Spouse	203,882	645,984	316.8%	265.9%
Total Spouse	1,000,235	1,174,733	117.4%	35.6%

<u>Coverage</u>	<u>Current Premium</u>	<u>Rate Change</u>	Calculated Renewal <u>Annual Premium</u>	<u>Annual Change</u>
Active Basic	897,733	-21.4%	705,215	-192,518
Active Expanded Basic	565,808	-6.4%	529,567	-36,241
Retiree Basic	328,056	342.9%	1,453,061	1,125,005
Retiree Expanded Basic	124,024	18.4%	146,833	22,809
Active Supplemental	1,501,497	-44.7%	830,687	-670,810
Retiree Supplemental	1,008,182	8.8%	1,096,720	88,538
Active Spouse	379,907	-23.3%	291,275	-88,632
Retiree Spouse	102,948	265.9%	376,655	273,707
Total ASE	4,908,155	10.6%	5,430,014	521,859

<u>Coverage</u>	<u>Current Premium</u>	<u>Rate Change</u>	Proposed Renewal <u>Annual Premium</u>	<u>Annual Change</u>
Active Basic	897,733	0.0%	897,733	0
Active Expanded Basic	565,808	0.0%	565,808	0
Retiree Basic	328,056	50.0%	492,084	164,028
Retiree Expanded Basic	124,024	50.0%	186,036	62,012
Active Supplemental	1,501,497	0.0%	1,501,497	0
Retiree Supplemental	1,008,182	0.0%	1,008,182	0
Active Spouse	379,907	0.0%	379,907	0
Retiree Spouse	102,948	50.0%	154,422	51,474
Total ASE	4,908,155	5.7%	5,185,669	277,514

ARBenefits
Schools PSE: 2016-2017 Experience Summary

<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Active Basic	2,040,790	1,620,488	79.4%	-10.5%
Active Expanded Basic	1,218,763	1,435,292	117.8%	32.8%
Total Active Basic	3,259,553	3,055,780	93.7%	5.7%

<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Retiree Basic	50,246	84,303	167.8%	89.2%
Retiree Expanded Basic	64,399	66,560	103.4%	16.5%
Total Retiree Basic	114,645	150,863	131.6%	48.4%

<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Active Supplemental	2,105,297	1,063,861	50.5%	-41.4%
Retiree Supplemental	2,816,209	3,969,702	141.0%	63.3%
Total Supplemental	4,921,506	5,033,563	102.3%	18.5%

<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Active Spouse	620,568	667,983	107.6%	24.3%
Retiree Spouse	10,228	38,106	372.6%	330.2%
Total Spouse	630,796	706,089	111.9%	29.3%

<u>Coverage</u>	<u>Current Premium</u>	<u>Rate Change</u>	Calculated Renewal <u>Annual Premium</u>	<u>Annual Change</u>
Active Basic	1,040,148	-10.5%	931,148	-109,000
Active Expanded Basic	653,173	32.8%	867,213	214,040
Retiree Basic	43,152	89.2%	81,624	38,472
Retiree Expanded Basic	61,077	16.5%	71,169	10,092
Active Supplemental	1,039,185	-41.4%	608,490	-430,695
Retiree Supplemental	1,402,311	63.3%	2,290,480	888,169
Active Spouse	323,209	24.3%	401,737	78,528
Retiree Spouse	8,803	330.2%	37,872	29,069
Total ASE	4,571,058	15.7%	5,289,733	718,675

<u>Coverage</u>	<u>Current Premium</u>	<u>Rate Change</u>	Proposed Renewal <u>Annual Premium</u>	<u>Annual Change</u>
Active Basic	1,040,148	0.0%	1,040,148	0
Active Expanded Basic	653,173	0.0%	653,173	0
Retiree Basic	43,152	50.0%	64,728	21,576
Retiree Expanded Basic	61,077	50.0%	91,616	30,539
Active Supplemental	1,039,185	0.0%	1,039,185	0
Retiree Supplemental	1,402,311	35.0%	1,893,120	490,809
Active Spouse	323,209	20.0%	387,851	64,642
Retiree Spouse	8,803	50.0%	13,205	4,402
Total ASE	4,571,058	13.4%	5,183,025	611,967

ARBenefits
Combined ASE/PSE: 2016-2017 Experience Summary

<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Active Basic	3,784,566	2,835,523	74.9%	-15.5%
Active Expanded Basic	2,172,909	2,227,412	102.5%	15.6%
Total Active Basic	5,957,475	5,062,935	85.0%	-4.2%

<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Retiree Basic	708,504	2,670,466	376.9%	324.9%
Retiree Expanded Basic	279,401	292,340	104.6%	18.0%
Total Retiree Basic	987,906	2,962,806	299.9%	238.1%

<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Active Supplemental	5,129,280	2,507,649	48.9%	-43.4%
Retiree Supplemental	4,649,443	5,690,720	122.4%	41.8%
Total Supplemental	9,778,723	8,198,369	83.8%	-2.9%

<u>Coverage</u>	<u>Paid Premium</u>	<u>Incurred Claims</u>	<u>Loss Ratio</u>	<u>Rate Change</u>
Active Spouse	1,416,921	1,196,732	84.5%	-2.5%
Retiree Spouse	214,110	684,090	319.5%	268.9%
Total Spouse	1,631,031	1,880,821	115.3%	33.2%

<u>Coverage</u>	<u>Current Premium</u>	<u>Rate Change</u>	Calculated Overall Change	
			<u>Annual Premium</u>	<u>Annual Change</u>
Active Basic	1,937,881	-15.5%	1,636,894	-300,987
Active Expanded Basic	1,218,981	15.6%	1,408,745	189,764
Retiree Basic	371,208	324.9%	1,577,387	1,206,179
Retiree Expanded Basic	185,101	18.0%	218,346	33,245
Active Supplemental	2,540,682	-43.4%	1,439,295	-1,101,387
Retiree Supplemental	2,410,493	41.8%	3,418,703	1,008,210
Active Spouse	703,116	-2.5%	685,741	-17,375
Retiree Spouse	111,751	268.9%	412,297	300,546
Total ASE	9,479,213	13.9%	10,797,408	1,318,195

<u>Coverage</u>	<u>Current Premium</u>	Illustrative Overall Change		
		<u>Rate Change</u>	<u>Annual Premium</u>	<u>Annual Change</u>
Active Basic	1,937,881	0.0%	1,937,881	0
Active Expanded Basic	1,218,981	0.0%	1,218,981	0
Retiree Basic	371,208	50.0%	556,812	185,604
Retiree Expanded Basic	185,101	50.0%	277,652	92,551
Active Supplemental	2,540,682	0.0%	2,540,682	0
Retiree Supplemental	2,410,493	20.4%	2,901,302	490,809
Active Spouse	703,116	9.2%	767,758	64,642
Retiree Spouse	111,751	50.0%	167,627	55,876
Total ASE	9,479,213	9.4%	10,368,694	889,481