AGENDA

State and Public School Life and Health Insurance Board

April 14th, 2020

1:00 p.m.

EBD Board Room – 501 Building, Suite 500

I. Call to Order..........................................................Carla Haugen, Chair
II. Approval of March Minutes.................................Carla Haugen, Chair
III. Benefits Subcommittee Report .......................Susan Gardner, Benefits Chair
IV. Diabetic Supplies/Options ..................Dwight Davis and Micah Bard, UAMS EBRx
V. Plan Update.................................Paul Sakhrani, & Courtney White, Milliman
VI. Director’s Report.................................................Chris Howlett, EBD Director
VII. Adjournment..................................................Carla Haugen, Chair

2020 Upcoming Meetings:

May 19th, June 17th, July 21st

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

198th meeting of the State and Public-School Life and Health Insurance Board (hereinafter called the Board), met on April 14, 2020, at 1:00 PM via teleconference

Date | time 4/14/2020 1:00 PM | meeting called to order by Dr. John Kirtley, Stand-in Chair

Attendance

<table>
<thead>
<tr>
<th>Members Present</th>
<th>Members Absent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cindy Allen</td>
<td>Carla Haugen – Chair</td>
</tr>
<tr>
<td>Stephanie Lilly-Palmer</td>
<td></td>
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<tr>
<td>Greg Rogers</td>
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<td>Dori Gutierrez</td>
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<tr>
<td>Cindy Gillespie</td>
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<tr>
<td>Dr. Terry Fiddler</td>
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<tr>
<td>Melissa Moore</td>
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<tr>
<td>Renee Mallory - Vice-Chair</td>
<td></td>
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<tr>
<td>Amy Fecher</td>
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<tr>
<td>Dr. John Kirtley</td>
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<tr>
<td>Dr. Lanita White</td>
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<tr>
<td>Lisa Sherrill</td>
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<tr>
<td>Herb Scott</td>
<td></td>
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<tr>
<td>Cynthia Dunlap</td>
<td></td>
</tr>
<tr>
<td>Chris Howlett, Employee Benefits Division Director</td>
<td></td>
</tr>
</tbody>
</table>

OTHERS PRESENT:
Rhoda Classen, Theresa Huber, Stella Greene, Shalada Toles, Laura Thompson, Terri Freeman, Mary Massirer, EBD; Micah Bard, Dwight Davis, UAMS EBRX; Takisha Sanders, Jessica Akins, Health Advantage; Elizabeth Montgomery, ACHI; Stephen Carroll, AllCare Specialty; Courtney White, Paul Sakhirani, Scott Cohen, Milliman; Frances Bauman, Novo Nordisk; Sean Seago, MERCK; Jill Johnson, Sidney Keisner, UAMS; Jim Chapman, Abbvie; Suzanne Woodall, Medimpact; Nima Nabavi, Amgen; Charles Hubbard, ASP; Mitch Rouse, TSS; Joe Summers; Gaelle Gravot, John Colberg, Cheiron; Robin Keene, AAEA; Daniel Faulkner

Approval of Minutes by Carla Haugen, Chair

MOTION by Lilly-Palmer:

Motion to accept the March 31, 2020 minutes.

Rogers seconded; all were in favor.
Benefits Subcommittee Update by Susan Gardner, Benefits Chair

Gardner provided an update on the Benefits subcommittee meeting from April 10, 2020. There were 2 recommendations made by the subcommittee presented below.

Topics Discussed:
- Approval of Minutes
- Diabetic Supply/Options
- Plan Update
- Director’s Report

Recommendations:
- Move coverage of all diabetes supplies (blood glucose test strips, lancets, syringes, pen needles) to the community pharmacies. \((\text{Projected annual savings between } \$2,200,000 - \$2,900,000).\)
- Maintain monthly quantity limits on the blood glucose strips. (Currently, the quantity limit = 153 test strips/month)
- Require a contingency edit on blood glucose test strips: 120-day lookback period to identify antidiabetic medications before the supplies will be reimbursed. Otherwise, a prior authorization request is needed.
- Move the Dexcom products out of the medical (DME) benefit into the pharmacy benefit. Prior authorization policy will govern access. \((\text{Projected annual Plan savings between } \$64,000 - \$315,000 – \text{depending on the level of member copayment applied})\)
- Apply a copay of $80/30-day supply for Dexcom sensors.
- The implementation date of July 1, 2020. (or at a reasonable future date given the current circumstances)

**Motion**

I would like to make a recommendation to the Board to approve Part 1 Option 1 with no copay and Part 2 Option 2 with an $80 copay (the recommendations presented above.) Seconded by Moran. All were in favor.

**Motion Approved.**

**Amendment to motion** by Lilly-Palmer

I motion to amend the previous motion to include a fluid implementation date of July 1, 2020 with an update by the EBD director as needed.

Kissire seconded. All were in favor.

**Motion Approved.**

**Discussion:**

**Motion** by Dr. White:

I would like to make a motion to accept the recommendations made by the Benefits subcommittee.

Lilly-Palmer seconded. All were in favor.

**Motion Approved.**
Sakhrani and White provided an update on plan experience for ASE and PSE.

**ASE**

- 2020 & 2021 projections updated to incorporate claims data incurred from January 2019 to December 2019 and paid through March 2020

- 2020 projected plan experience
  - Allocated reserves for 2020 is $25.1M
  - Estimated deficit of $14.4M
  - End of Year Assets: $57.2M
  - No plan changes / 5% increase in employee contributions

- 2021 plan experience
  - No additional funding ($14.5M allocated assets)
  - Projected deficit: $34.2M
  - End of Year Assets: $8.5M
  - No plan design or contribution changes
  - Increased membership based on historical patterns
  - Baseline trends (medical: 5%, pharmacy: 8%)

**PSE**

- Projections updated to incorporate claims data incurred from January 2019 to December 2019 and paid through March 2020

- 2020 plan experience
  - Allocated reserves for 2020 is $25.3M
  - Estimated deficit of $18.9M
  - End of Year Assets: $104.9M
  - No plan changes / 0% increase to employee contributions

- 2020 plan experience
  - Projected deficit: $58.3M
  - End of Year Assets: $31.1M
  - No plan design or contribution changes
  - Increased membership based on historical patterns
  - Baseline trends (medical: 7%, pharmacy: 8%)

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

Howlett asked that if there were any questions or comments from the Milliman report, please send those to help guide the future presentations. As mentioned on March 31st, the plans position and steps we have done during COVID-19 pandemic, or the public health emergency as presently exists, in regards to PA’s for the pharmacy, early refills, and the signature law component that we have worked with to help ease the burden of the membership and being able to get access to that care. In
addition to that, the last couple of weeks the COVID-19 coding has come down on the federal side, and that COVID-19 is just identifiable codes where we can go back and look at the medical claims since March, and even go before that, and look at the coding on those claims to be able to mine the data a little to report back the effects of the COVID-19 pandemic on this health plan. Once that data matures, we will be able to get that to you.

**MOTION** by Lilly-Palmer:

I motion to adjourn the meeting.

All were in favor.

**Meeting Adjourned.**
The following report resulted from a meeting of the Benefits Subcommittee meeting on Friday, April 10, 2020.

Topics Discussed:
- Approval of Minutes
- Diabetic Supply/Options
- Plan Update
- Director’s Report

Diabetic Supply/Options: Dr. Dwight Davis & Dr. Micah Bard, UAMS EBRx
Dr. Davis provided a presentation on the diabetic supply coverage policy evaluation.

Recommendations:
- Move coverage of all diabetes supplies (blood glucose test strips, lancets, syringes, pen needles) to the community pharmacies. (Projected annual savings between $2,200,000 - $2,900,000).
- Maintain monthly quantity limits on the blood glucose strips. (Currently, the quantity limit = 153 test strips/month)
- Require a contingency edit on blood glucose test strips: 120-day lookback period to identify antidiabetic medications before the supplies will be reimbursed. Otherwise, a prior authorization request is needed.
- Move the Dexcom products out of the medical (DME) benefit into the pharmacy benefit. Prior authorization policy will govern access. (Projected annual Plan savings between $64,000 - $315,000 – depending on the level of member copayment applied)
- Apply a copay of $80/30-day supply for Dexcom sensors.
- The implementation date of July 1, 2020. (or at a reasonable future date given the current circumstances)

MOTION by Kissire:
I would like to make a recommendation to the Board to approve Part 1 Option 1 with no copay and Part 2 Option 2 with an $80 copay (the recommendations presented above)
Seconded by Moran. All were in favor.
Motion Approved.
Amendment to motion by Lilly-Palmer

I motion to amend the previous motion to include a fluid implementation date of July 1, 2020 with an update by the EBD director as needed.

Kissire seconded. All were in favor.

Motion Approved.

Plan Update: Paul Sakhrani & Courtney White, Milliman

Sakhrani and White provided an educational piece on claims payment processing and an update on plan experience for ASE and PSE.

ASE

- 2020 & 2021 projections updated to incorporate claims data incurred from January 2019 to December 2019 and paid through March 2020

- 2020 projected plan experience
  - Allocated reserves for 2020 is $25.1M
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PSE

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- 2020 plan experience
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  - No plan design or contribution changes
  - Increased membership based on historical patterns
  - Baseline trends (medical: 7%, pharmacy: 8%)
Director’s Report: Chris Howlett, EBD Director
Howlett provided an update on what the plan has been doing related to COVID-19 related to pharmacy and telemedicine.
Employee Benefits Division
Benefits Subcommittee

Diabetes Supply Coverage Policy Evaluation

April 10, 2020
Diabetes Test Supplies – Coverage Policy

• For members enrolled in EBD’s “Diabetes Management Program”, whether previously administered through Active Health Management or Kannact;
  • Type 1 or Type 2 diabetes diagnosis
  • Blood glucose strips, glucometer, lancets, syringes and pen needles covered with no copay
  • With prior program, all products were obtained through the member’s pharmacy. With the Kannact program, all products are mailed directly to the member.
  • Both programs include some level of coaching.

• For members not enrolled in the program;
  • With the prior program, all products could be purchased at the pharmacy for a copay.
  • With the current model, only test strips can be purchased at the pharmacy for a copay. Other products (syringes, pen needles, and lancets) are excluded from coverage.
Plan Expenditures for Diabetes Supplies

• **Prior Program** -
  - In the last full 12-month dataset (CY 2018), the total cost of diabetes supplies (syringes, needles, lancets, test strips, glucometers) amounted to **$1,045,000** and involved approximately 1,100 members.
  - Of the total cost of $1,045,000, the total cost of test strips amounted to $487,445 with the EBD Plan paying $267,480 and members paying $220,000.
  - Prior program provided some level of coaching, but the fees associated with the coaching were included in the blended disease management charge.

• **Current Program** -
  - Through Kannact, all supplies are included in the monthly per-participant fee. EBD pays a monthly fee based on condition of member; $59.00, $69.00, or $79.00/month. Most participants are $79.00/month.
  - This cost includes supplies and coaching.
  - Currently 3,118 members enrolled with Kannact. Total current annual cost = **$2,844,000** (~$76/participant/month)
Results of the Rebate Contract Bid Evaluation

Part One:
• Accu-Check Test Strips (Roche) chosen as the exclusive covered blood glucose strip. Blood glucose monitors are provided at no cost.
• TruePlus insulin syringes and pen needles chosen as the exclusive syringe/pen needle products.

Part Two:
• Dexcom brand chosen as the exclusive Continual Blood Glucose Monitoring (CGM) device.
### Per-Utilizing-Member-Per-Month Cost for Diabetes Supplies

<table>
<thead>
<tr>
<th></th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blood Glucose Test Strips</td>
<td>Blood Glucose Test Strips</td>
<td>Blood Glucose Test Strips w/free meter</td>
</tr>
<tr>
<td>Lancets</td>
<td>Lancets</td>
<td>Lancets</td>
</tr>
<tr>
<td>Syringes</td>
<td>Pen Needles</td>
<td>Syringes</td>
</tr>
<tr>
<td>$70.35</td>
<td>$78.84</td>
<td>$16.53</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$19.26</td>
</tr>
</tbody>
</table>

The blended Total Cost per utilizing member before considering the rebate bid was approximately $78/month. The blended Total Cost per utilizing member after considering the rebate bid is $19/month. The net savings per utilizing member resulting from the rebate bid is $59/month.
## Summary of Rebate Impact – Part One

<table>
<thead>
<tr>
<th>Current Program - Kannact</th>
<th>Option #1 (Move supplies to local community pharmacy)</th>
<th>Option #2 (Includes Option #1 PLUS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of participants</strong></td>
<td>3,118</td>
<td>3,118</td>
</tr>
<tr>
<td><strong>Total Annual Plan Cost</strong></td>
<td>$2,844,000</td>
<td>$2,918,000</td>
</tr>
<tr>
<td>(includes supplies &amp; counseling and is based on $59, $69, or $79 per participant per month, depending on condition)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Annual Member Cost</strong></td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>Rebate / discount to Plan</strong></td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>Net Annual Plan Cost</strong></td>
<td>$2,844,000</td>
<td><strong>$718,000</strong></td>
</tr>
<tr>
<td><strong>Annual Supply Cost (assume $78 / utilizing member/month)</strong></td>
<td>$2,918,000</td>
<td></td>
</tr>
<tr>
<td><strong>Counseling Cost (through Health Advantage)</strong></td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td><strong>Total Member Cost (no copay)</strong></td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td><strong>Rebate / discount to Plan (Savings)</strong></td>
<td>$2,200,000</td>
<td></td>
</tr>
<tr>
<td>Pre-rebate PMPM = $78 vs. Post-rebate PMPM = $19</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Annual Plan Cost</strong></td>
<td><strong>$718,000</strong></td>
<td><strong>$0.00</strong></td>
</tr>
</tbody>
</table>

**Add Co-pay for Supplies**: Up to $15/Rx

**Projected Annual Copay collected (Additional Savings)**: $718,000

**Net Annual Plan Cost**: $0.00
## Summary of Rebate Impact – Part Two

### Current Coverage of Dexcom

<p>| | |</p>
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Number of utilizing members</td>
<td>522</td>
</tr>
<tr>
<td>Total # of Claims</td>
<td>2,472*</td>
</tr>
<tr>
<td>Total Plan Paid</td>
<td>$548,400 ($222/claim)</td>
</tr>
<tr>
<td>Total Member Paid</td>
<td>$869,000 ($352/claim)</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>$1,417,400 ($574/claim)</strong></td>
</tr>
</tbody>
</table>

* Claims volume indicates extremely low compliance to sensor use

### Option #1 – Move from Medical to Pharmacy Coverage

<p>| | |</p>
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Number of utilizing members</td>
<td>522</td>
</tr>
<tr>
<td>Total # of Claims</td>
<td>6,264*</td>
</tr>
<tr>
<td>Total <em>Projected</em> Plan Cost</td>
<td>$2,501,400</td>
</tr>
<tr>
<td>Total <em>Projected</em> Member Cost</td>
<td>$0.00</td>
</tr>
<tr>
<td>Net <em>Projected</em> Plan Cost (net of rebates)</td>
<td>$1,604,000</td>
</tr>
</tbody>
</table>

* Projected claims volume reflects 100% compliance to sensor use

### Option #2 (Includes Option #1 PLUS)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Add Co-pay of $40/30-day supply</td>
<td>$250,500</td>
</tr>
<tr>
<td>Net Plan Cost after co-pay</td>
<td><strong>$1,354,500</strong></td>
</tr>
<tr>
<td>Add Co-pay of $80/30-day supply</td>
<td>$501,100</td>
</tr>
<tr>
<td>Net Plan Cost after co-pay</td>
<td><strong>$1,103,000</strong></td>
</tr>
<tr>
<td><strong>Total Projected Annual Member Savings</strong></td>
<td><strong>$368,000 - $619,000</strong></td>
</tr>
<tr>
<td><strong>Total Projected Annual Plan Savings</strong> (assuming a copayment is required)</td>
<td><strong>$64,000 - $315,000</strong></td>
</tr>
</tbody>
</table>

### Note:
1. Dexcom is a wearable device classified as a continual blood glucose monitor (CGM).
2. Dexcom involves three (3) components; sensors, transmitter, and a receiver.
3. Dexcom is currently obtained through the medical benefit (durable medical equipment).
Recommendations:

• Move coverage of all diabetes supplies (blood glucose test strips, lancets, syringes, pen needles) to the community pharmacies. (Projected annual savings between $2,200,000 - $2,900,000).

• Maintain monthly quantity limits on the blood glucose strips. (Currently, the quantity limit = 153 test strips/month)

• Require a contingency edit on blood glucose test strips: 120-day lookback period to identify antidiabetic medications before the supplies will be reimbursed. Otherwise, a prior authorization request is needed.

• Move the Dexcom products out of the medical (DME) benefit into the pharmacy benefit. Prior authorization policy will govern access. (Projected annual Plan savings between $64,000 - $315,000 – depending on level of member copayment applied)

• Apply a copay of $80/30-day supply for Dexcom sensors.

• Implementation date of July 1, 2020 (or at a reasonable future date given the current circumstances)
Questions??
State of Arkansas Employee Benefits Division

Interim Monitoring Report
Through March 31st

State and Public School Life and Health Insurance Board of Directors

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

14 APRIL 2020
Agenda

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

- 2020 & 2021 projections updated to incorporate claims data incurred from February 2019 to January 2020 and paid through March 2020

- 2020 projected plan experience
  - Allocated reserves for 2020 is $25.1M
  - Estimated deficit of $14.4M
  - End of Year Assets: $57.2M
  - No plan changes / 5% increase in employee contributions

- 2021 projected plan experience
  - No additional funding ($14.5M allocated assets)
  - Projected deficit: $34.2M
  - End of Year Assets: $8.5M
  - No plan design or contribution changes
  - Increased membership based on historical patterns
  - Baseline trends (medical: 5%, pharmacy: 8%)
# Total Plan Experience

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funding</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Contribution</td>
<td>$173.61</td>
<td>$172.24</td>
<td>$172.24</td>
</tr>
<tr>
<td>Employee Contribution</td>
<td>97.45</td>
<td>99.63</td>
<td>100.31</td>
</tr>
<tr>
<td>Other</td>
<td>23.47</td>
<td>21.65</td>
<td>21.80</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$294.53</td>
<td>$293.52</td>
<td>$294.35</td>
</tr>
<tr>
<td>Medical Claims</td>
<td>$(194.56)</td>
<td>$(222.28)</td>
<td>$(223.99)</td>
</tr>
<tr>
<td>Pharmacy Claims</td>
<td>(86.58)</td>
<td>(98.48)</td>
<td>(107.18)</td>
</tr>
<tr>
<td>Administration Fees</td>
<td>(18.30)</td>
<td>(17.52)</td>
<td>(17.63)</td>
</tr>
<tr>
<td>Plan Administration</td>
<td>(2.90)</td>
<td>(2.81)</td>
<td>(2.91)</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$(302.34)</td>
<td>$(341.08)</td>
<td>$(351.71)</td>
</tr>
<tr>
<td>Pharmacy Program</td>
<td>-</td>
<td>$8.12</td>
<td>$8.69</td>
</tr>
<tr>
<td><strong>Net Income / (Loss) Before Reserve Allocation</strong></td>
<td>$(7.82)</td>
<td>$(39.43)</td>
<td>$(48.67)</td>
</tr>
<tr>
<td>Allocation of Reserves</td>
<td>$21.70</td>
<td>$25.08</td>
<td>$14.46</td>
</tr>
<tr>
<td><strong>Net Income / (Loss) After Reserve Allocation</strong></td>
<td>$13.89</td>
<td>$(14.35)</td>
<td>$(34.21)</td>
</tr>
</tbody>
</table>

## Average Membership

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employees / Pre-65 Retirees</td>
<td>47,720</td>
<td>46,904</td>
<td>46,904</td>
</tr>
<tr>
<td>Post-65 Retirees</td>
<td>13,346</td>
<td>13,805</td>
<td>14,219</td>
</tr>
<tr>
<td><strong>Total Enrolled</strong></td>
<td>61,066</td>
<td>60,708</td>
<td>61,122</td>
</tr>
</tbody>
</table>

| **Total Income PMPM**<sup>1</sup> | $431.54 | $437.35 | $421.02 |
| **Total Expenses PMPM**<sup>2</sup> | $(412.59) | $(457.05) | $(467.66) |

<sup>1</sup> Allocation of Reserves included in Total Income

<sup>2</sup> Total Expenses offset by Pharmacy Program
## Projected Assets: 2019 – 2021

<table>
<thead>
<tr>
<th>Development of 2021 End-of-Year Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) 2019 End-of-Year Assets</td>
</tr>
<tr>
<td>(b) 2020 Total Income</td>
</tr>
<tr>
<td>(c) Total Expenses</td>
</tr>
<tr>
<td>(d) Allocated Assets</td>
</tr>
<tr>
<td>(e) = (b) + (c) + (d) Total Surplus / (Deficit)</td>
</tr>
<tr>
<td>(f) = (a) - (d) + (e) End-of-Year Assets</td>
</tr>
<tr>
<td>(g) 2021 Total Income</td>
</tr>
<tr>
<td>(h) Total Expenses</td>
</tr>
<tr>
<td>(i) Allocated Assets</td>
</tr>
<tr>
<td>(j) = (g) + (h) + (i) Total Surplus / (Deficit)</td>
</tr>
<tr>
<td>(k) = (f) - (i) + (j) End-of-Year Assets</td>
</tr>
</tbody>
</table>
End of Year Assets

- **2018**
  - FICA/Unallocated Assets: $37.0
  - Allocated Catastrophic Reserve: $27.3
  - Allocation for 2020-2022: $30.4
  - Contribution Allocations: $16.0
  - IBNR/Other: $9.1
- **2019**
  - FICA/Unallocated Assets: $30.6
  - Allocated Catastrophic Reserve: $27.4
  - Allocation for 2020-2022: $15.3
  - Contribution Allocations: $16.0
  - IBNR/Other: $7.6
- **2020 Proj.**
  - FICA/Unallocated Assets: $57.2
  - Allocated Catastrophic Reserve: $26.6
  - Allocation for 2020-2022: $20.5
  - Contribution Allocations: $16.0
  - IBNR/Other: $8.5
- **2021 Proj.**
  - FICA/Unallocated Assets: $104.0
  - Allocated Catastrophic Reserve: $96.6
  - Allocation for 2020-2022: $80.0
  - Contribution Allocations: $96.6
  - IBNR/Other: $104.0

- **Change**
  - FICA/Unallocated Assets: $40.1
  - Allocated Catastrophic Reserve: $40.1
  - Allocation for 2020-2022: $60.0
  - Contribution Allocations: $40.0
  - IBNR/Other: $40.0
Monthly Trend - Medical

ASE - Medical Per Member Per Month (PMPM)

Paid PMPM

Incurred Month

PMPM

6 per. Mov. Avg. (PMPM)
Monthly Trend - Pharmacy

ASE - Pharmacy Per Member Per Month (PMPM)
ASE - Average Membership by Status

**Active**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>45,518</td>
<td>44,869</td>
<td>44,901</td>
<td>44,603</td>
<td>43,811</td>
<td>43,811</td>
</tr>
<tr>
<td>Pre-65 Retirees</td>
<td>3,371</td>
<td>3,317</td>
<td>3,199</td>
<td>3,117</td>
<td>3,093</td>
<td>3,093</td>
</tr>
<tr>
<td>Post-65 Retirees</td>
<td>12,030</td>
<td>12,493</td>
<td>12,914</td>
<td>13,346</td>
<td>13,805</td>
<td>14,219</td>
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</tbody>
</table>

**Percentages**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>20%</td>
<td>21%</td>
<td>21%</td>
<td>22%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>Pre-65 Retirees</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Post-65 Retirees</td>
<td>75%</td>
<td>74%</td>
<td>74%</td>
<td>73%</td>
<td>72%</td>
<td>72%</td>
</tr>
</tbody>
</table>
ASE - Average Membership by Plan

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>3,031</td>
<td>2,176</td>
<td>3,581</td>
<td>3,867</td>
<td>4,037</td>
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<tr>
<td>Classic</td>
<td>12,467</td>
<td>12,920</td>
<td>13,345</td>
<td>13,762</td>
<td>14,060</td>
</tr>
<tr>
<td>Premium</td>
<td>43,245</td>
<td>41,861</td>
<td>41,421</td>
<td>40,701</td>
<td>40,067</td>
</tr>
<tr>
<td>Primary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Basic</th>
<th>Classic</th>
<th>Premium</th>
<th>Primary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>20%</td>
<td>71%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>2017</td>
<td>21%</td>
<td>69%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>2018</td>
<td>22%</td>
<td>68%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>2019</td>
<td>23%</td>
<td>67%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>2020 YTD</td>
<td>23%</td>
<td>66%</td>
<td>7%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Public School Employees (PSE)
Executive Summary

- Projections updated to incorporate claims data incurred from February 2019 to January 2020 and paid through March 2020
- 2020 plan experience
  - Allocated reserves for 2020 is $25.3M
  - Estimated deficit of $18.9M
  - End of Year Assets: $104.9M
  - No plan changes / 0% increase to employee contributions
- 2021 projected plan experience
  - Projected deficit: $58.3M
  - End of Year Assets: $31.1M
  - No plan design or contribution changes
  - Increased membership based on historical patterns
  - Baseline trends (medical: 7%, pharmacy: 8%)
## Total Plan Experience

<table>
<thead>
<tr>
<th>Funding</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPE Funding</td>
<td>$102.39</td>
<td>$105.35</td>
<td>$108.87</td>
</tr>
<tr>
<td>Employee Contribution</td>
<td>121.12</td>
<td>124.18</td>
<td>128.32</td>
</tr>
<tr>
<td>Dept of Ed Funding</td>
<td>88.10</td>
<td>88.10</td>
<td>88.10</td>
</tr>
<tr>
<td>Other</td>
<td>15.02</td>
<td>14.88</td>
<td>15.38</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$326.64</td>
<td>$332.51</td>
<td>$340.67</td>
</tr>
<tr>
<td>Medical Claims</td>
<td>$247.12</td>
<td>$281.30</td>
<td>$311.14</td>
</tr>
<tr>
<td>Pharmacy Claims</td>
<td>(60.87)</td>
<td>(70.56)</td>
<td>(77.79)</td>
</tr>
<tr>
<td>Administration Fees</td>
<td>(28.46)</td>
<td>(28.16)</td>
<td>(29.17)</td>
</tr>
<tr>
<td>Plan Administration</td>
<td>(2.61)</td>
<td>(2.55)</td>
<td>(2.63)</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$(339.06)</td>
<td>$(382.57)</td>
<td>$(420.74)</td>
</tr>
<tr>
<td>Pharmacy Program</td>
<td>$-</td>
<td>$5.92</td>
<td>$6.31</td>
</tr>
<tr>
<td><strong>Net Income / (Loss) Before Reserve Allocation</strong></td>
<td>$(12.42)</td>
<td>$(44.14)</td>
<td>$(73.76)</td>
</tr>
<tr>
<td>Allocation of Reserves</td>
<td>$12.66</td>
<td>$25.25</td>
<td>$15.48</td>
</tr>
<tr>
<td><strong>Net Income / (Loss) After Reserve Allocation</strong></td>
<td>$0.23</td>
<td>$(18.88)</td>
<td>$(58.29)</td>
</tr>
</tbody>
</table>

### Average Membership

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employees / Pre-65 Retirees</td>
<td>82,317</td>
<td>84,299</td>
<td>86,710</td>
</tr>
<tr>
<td>Post-65 Retirees</td>
<td>14,279</td>
<td>15,079</td>
<td>15,984</td>
</tr>
<tr>
<td><strong>Total Enrolled</strong></td>
<td>96,596</td>
<td>99,377</td>
<td>102,693</td>
</tr>
</tbody>
</table>

### Total Income PMPM

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Income PMPM</strong></td>
<td>$292.71</td>
<td>$300.01</td>
<td>$289.00</td>
</tr>
</tbody>
</table>

### Total Expenses PMPM

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Expenses PMPM</strong></td>
<td>$(292.51)</td>
<td>$(315.84)</td>
<td>$(336.30)</td>
</tr>
</tbody>
</table>

1 Allocation of Reserves included in Total Income
2 Total Expenses offset by Pharmacy Program
## Projected Assets: 2019 – 2021

### Development of 2021 End-of-Year Assets

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>End-of-Year Assets</td>
<td>Total Income</td>
<td>Total Expenses</td>
</tr>
<tr>
<td>(b)</td>
<td>2019 End-of-Year Assets</td>
<td>$149.0</td>
<td>$332.5</td>
</tr>
<tr>
<td>(c)</td>
<td>Total Income</td>
<td>Total Expenses</td>
<td>Allocated Assets</td>
</tr>
<tr>
<td>(d)</td>
<td>Total Expenses</td>
<td>Allocated Assets</td>
<td>$25.3</td>
</tr>
<tr>
<td>(e) = (b) + (c) + (d)</td>
<td>Total Surplus / (Deficit)</td>
<td>(Deficit)</td>
<td>($18.9)</td>
</tr>
<tr>
<td>(f) = (a) - (d) + (e)</td>
<td>End-of-Year Assets</td>
<td>$104.9</td>
<td>$31.1</td>
</tr>
<tr>
<td>(g)</td>
<td>2021</td>
<td>Total Income</td>
<td>Total Expenses</td>
</tr>
<tr>
<td>(h)</td>
<td>Total Expenses</td>
<td>Allocated Assets</td>
<td>$25.3</td>
</tr>
<tr>
<td>(i)</td>
<td>Allocated Assets</td>
<td>$25.3</td>
<td>$15.5</td>
</tr>
<tr>
<td>(j) = (g) + (h) + (i)</td>
<td>Total Surplus / (Deficit)</td>
<td>(Deficit)</td>
<td>($18.9)</td>
</tr>
<tr>
<td>(k) = (f) – (i) + (j)</td>
<td>End-of-Year Assets</td>
<td>$104.9</td>
<td>$31.1</td>
</tr>
</tbody>
</table>
End of Year Assets

- 2018
  - FICA/Unallocated Assets: $47.9
  - Allocated Catastrophic Reserve: $25.2
  - Contribution Allocations: $29.0
  - IBNR/Other: $29.0
  - Total: $160.6

- 2019
  - FICA/Unallocated Assets: $14.7
  - Allocated Catastrophic Reserve: $12.5
  - Contribution Allocations: $28.0
  - IBNR/Other: $28.0
  - Total: $149.0

- 2020 Projection
  - FICA/Unallocated Assets: $58.5
  - Allocated Catastrophic Reserve: $22.5
  - Contribution Allocations: $28.0
  - IBNR/Other: $7.1
  - Total: $104.9

- 2021 Projection
  - FICA/Unallocated Assets: $58.5
  - Allocated Catastrophic Reserve: $28.0
  - Contribution Allocations: $28.0
  - IBNR/Other: $62.5
  - Total: $31.1

Milliman
Monthly Trend - Medical

PSE - Medical Per Member Per Month (PMPM)

Paid PMPM

Incurred Month


PMPM  6 per. Mov. Avg. (PMPM)
Monthly Trend - Pharmacy

PSE - Pharmacy Per Member Per Month (PMPM)

Paid PMPM

Incurred Month

PMPM 6 per. Mov. Avg. (PMPM)
PSE - Average Membership by Status

Active  Pre-65 Retirees  Post-65 Retirees

Year  2016  2017  2018  2019  2020  2021
Active  70,984  73,195  76,039  78,420  80,365  82,776
Pre-65 Retirees  3,983  3,960  3,921  3,897  3,934  3,934
Post-65 Retirees  11,874  12,735  13,536  14,279  15,079  15,984

Projected 2021:
Active  73,195  76,039  78,420  80,365  82,776
Pre-65 Retirees  3,960  3,921  3,897  3,934  3,934
Post-65 Retirees  12,735  13,536  14,279  15,079  15,984

Percentage Breakdown:
Active: 82% 81% 81% 81% 81% 16%
Pre-65 Retirees: 5% 4% 4% 4% 4% 4%
Post-65 Retirees: 14% 14% 14% 15% 15% 16%
ASE - Income vs. Expenditure

### 2018
- State Contribution: $174.7M
- Employee Contribution: $19.7M
- Other Income: $96.7M
- Total Expenses: $309.1M

### 2019
- State Contribution: $173.6M
- Employee Contribution: $23.5M
- Other Income: $97.5M
- Total Expenses: $316.2M

### 2020 Proj.
- State Contribution: $172.2M
- Employee Contribution: $21.7M
- Other Income: $99.6M
- Total Expenses: $318.6M

### 2021 Proj.
- State Contribution: $172.2M
- Employee Contribution: $21.8M
- Other Income: $100.3M
- Total Expenses: $308.8M

* Total Expenses offset by Pharmacy Program
ASE - Reserves Allocation by Year

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

* 2018 Employee Contribution includes PPE Funding
** Total Expenses offset by Pharmacy Program
PSE - Reserves Allocation by Year

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

### Assumptions - Trend

<table>
<thead>
<tr>
<th>Division</th>
<th>Group</th>
<th>Medical Trend</th>
<th>Pharmacy Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASE</td>
<td>Active/Pre-65 Retirees</td>
<td>5.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td></td>
<td>Post-65 Retirees</td>
<td>5.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>PSE</td>
<td>Active/Pre-65 Retirees</td>
<td>7.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td></td>
<td>Post-65 Retirees</td>
<td>7.0%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>
Assumptions & Methodology

Assumptions – Benefit Plan Changes (2019 to 2021)

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

Assumptions – Other

- **Age/Gender**
  - Age/Gender factor based on Milliman Health Cost Guidelines™

- **Enrollment Projections**
  - Actual enrollment utilized for January 2019 through February 2020
  - Projected March – December 2020 based on historical patterns

- **Pharmacy Program**
  - Projected program of $1.25 million per month for 2020, allocated between ASE / PSE based on pharmacy claims expense.

- **Plan Administration Expense**
  - ASE - $3.85 PMPM for CY2020 ($3.96 PMPM for CY2021)
  - PSE - $2.14 PMPM for CY2020 & CY2021

- Plan Administration Fees include PCORI charges for 2020 and 2021
Assumptions & Methodology

Methodology

1. Summarized fee-for-service (FFS) medical and pharmacy claims incurred from February 1, 2019 to January 31, 2020 and paid from February 1, 2019 to March 31, 2020. Medical claims are gross of withholds. Reports reflects the timing of when EBD is expected to pay the withhold.

2. Converted the paid and incurred claims to incurred claims using completion factors. This incorporates the incurred but not reported (IBNR) claim reserve.


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

5. 2020 Projected the incurred claims PMPM from the midpoint of the experience period (August 1, 2019) to the midpoint of the contract period (July 1, 2020).

6. 2021 Projected the incurred claims PMPM from the midpoint of the experience period (August 1, 2019) to the midpoint of the contract period (July 1, 2021).

7. Made adjustments for seasonality, benefit changes, and age/gender mix.

8. Accounted for rating period fees and administrative expenses.

9. Where applicable, converted incurred budget to paid budget based on historical payment patterns.
Limitations

Courtney White and Paul Sakhrani are Members of the American Academy of Actuaries and a Fellow of the Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render opinion contained herein. To the best of our knowledge and belief, this analysis is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

The assumptions used in the development of the 2020 and 2021 budget are based on historical ASE and PSE claims, funding, and plan administration, historical ASE and PSE members by benefit plan, age/gender, and by month, 2019 and 2020 ASE and PSE benefit plan summaries, 2020 fees and administrative expenses, conversations with EBD regarding the program, and actuarial judgment.

While we reviewed the ABCBS and EBD information for reasonableness, we have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Expected outcomes are sensitive to the underlying assumptions used. Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Any reader of this report should possess a certain level of expertise in areas relevant to this analysis to appreciate the significance of the assumptions and the impact of these assumptions on the illustrated results. The reader should be advised by their own actuaries or other qualified professionals competent in the subject matter of this report, so as to properly interpret the material.

This presentation has been prepared for the sole use of the management of the State of Arkansas Employee Benefits Division for setting the ASE and PSE budget for CY2020 and CY2021. It may not be appropriate for other purposes. Milliman does not intend to benefit any third party from this analysis.
Thank you

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