

State of Arkansas Employee Benefits Division

CY2022 Planning

Arkansas State Board of Finance Meeting

Arkansas State Employees (ASE) and Public-School Employees (PSE)

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11 MAY 2021

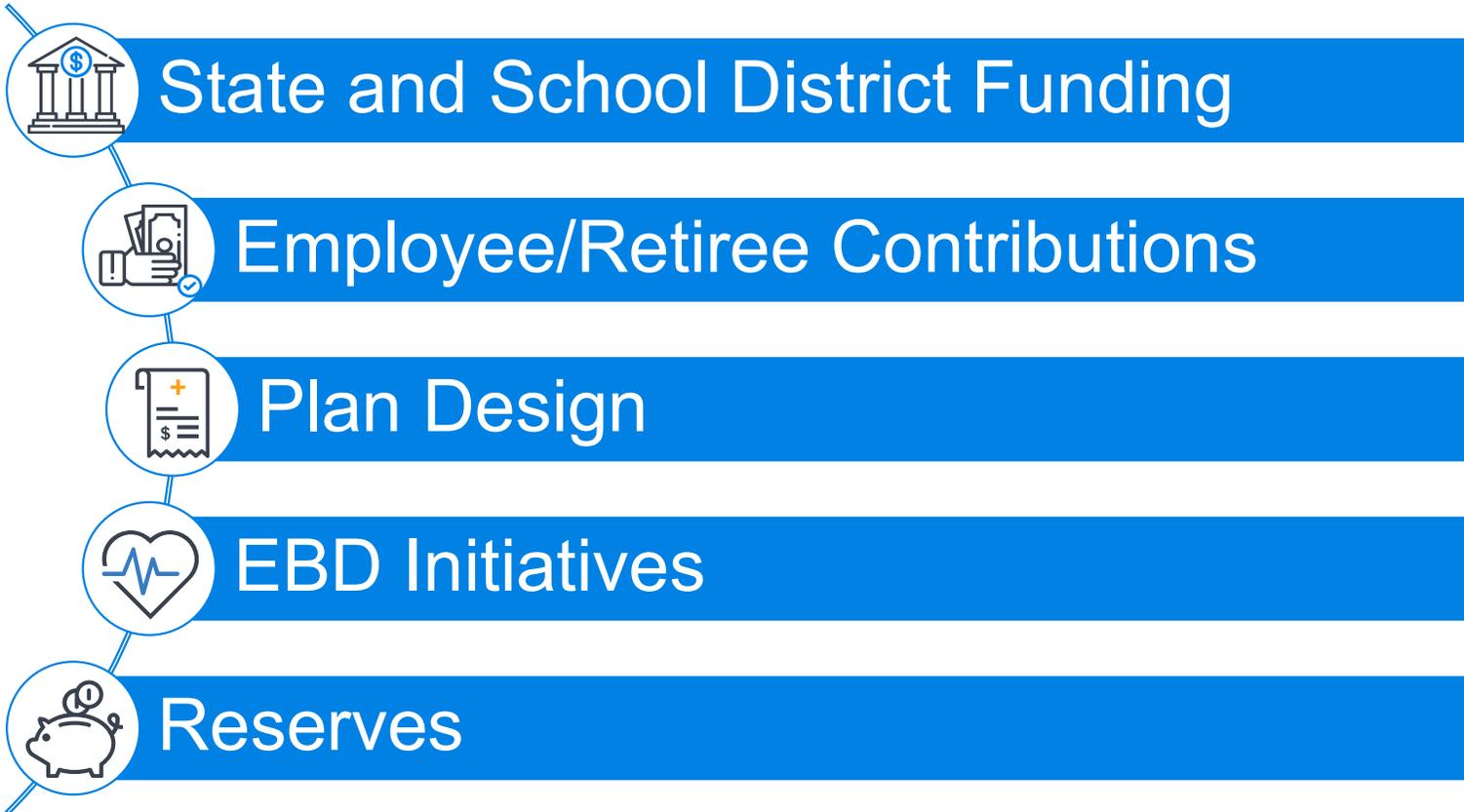


Agenda

- Budget levers
- ASE and PSE Summaries
 - April 20, 2021 board presentation – latest financial figures
 - Summary of Financials from 2013 – 2021
 - Funding Percentages from 2013 – 2021
 - Summary of prior decisions
 - Summary of Cost/Subsidy by Employment Status (Active, Pre-65, Post-65)
 - All Initiatives currently considered for 2022
 - Latest EBD Board recommended initiatives for 2022
- 2022 Wellness Program and Incentives Considerations
- Benchmarking
 - Unit cost plan performance comparison (% of Medicare)
 - Summary of ASE benefits compared to other States
- Plan Management Process
- 2022 Other Program Considerations
- Appendices

Budget Levers

Budget Levers



Arkansas State Employees (ASE)

Executive Summary

- 2021 & 2022 projections updated to incorporate medical claims data incurred from March 2019 to February 2020 and paid through March 2021 and pharmacy claims data incurred from February 2020 to January 2021 and paid through March 2021
- 2021 projected plan experience
 - Projected deficit Before Allocation of Prior Years' Surplus: **-\$20.5M**
 - Allocation of Prior Years' Surplus for 2021: \$14.5M
 - Projected deficit: **-\$6.0M** (after prior years' surplus allocation)
 - Reflects 2021 program initiatives and board decisions
 - Increased membership based on historical patterns
 - Baseline trends (medical: 5%, pharmacy: 8%)
- 2022 projected plan experience (status quo scenario)
 - Projected deficit Before Allocation of Prior Years' Surplus: **-\$33.3M**
 - Allocation of Prior Years' Surplus for 2022: \$6.1M
 - Estimated deficit of **-\$27.2M** (after prior years' surplus allocation)
 - Reflects baseline scenario
 - No plan design or contribution changes

Total Plan Experience

	<u>2020</u>	<u>2021</u>	<u>2022</u>
State Contribution	\$ 171.05	\$ 182.41	\$ 182.33
Employee Contribution	100.96	110.02	110.35
Other	17.43	18.81	19.63
Total Income	\$ 289.44	\$ 311.24	\$ 312.31
Medical Claims	\$ (201.46)	\$ (221.43)	\$ (227.19)
Pharmacy Claims	(90.53)	(97.77)	(105.78)
Administration Fees	(16.26)	(16.25)	(16.44)
Plan Administration	(2.55)	(1.54)	(1.55)
Life Insurance	(0.93)	-	-
Total Expenses	\$ (311.74)	\$ (336.98)	\$ (350.96)
Program Savings	\$ -	\$ 5.30	\$ 5.36
Net Income / (Loss) Before Reserve Allocation	\$ (22.29)	\$ (20.45)	\$ (33.29)
Allocation of Reserves	\$ 27.00	\$ 14.46	\$ 6.07
Net Income / (Loss) After Reserve Allocation	\$ 4.71	\$ (5.99)	\$ (27.21)

*Amounts above expressed in millions

Average Membership

Active Employees / Pre-65 Retirees	46,620	45,153	45,093
Post-65 Retirees	13,743	14,037	14,458
Total Enrolled	60,363	59,190	59,552

Total Income PMPM¹	\$ 436.86	\$ 458.54	\$ 445.53
Total Expenses PMPM²	\$ (430.36)	\$ (466.98)	\$ (483.61)

¹ Allocation of Reserves included in Total Income

² Total Expenses offset by Program Savings

Change in Revenue, Expenses, and Assets (\$millions)

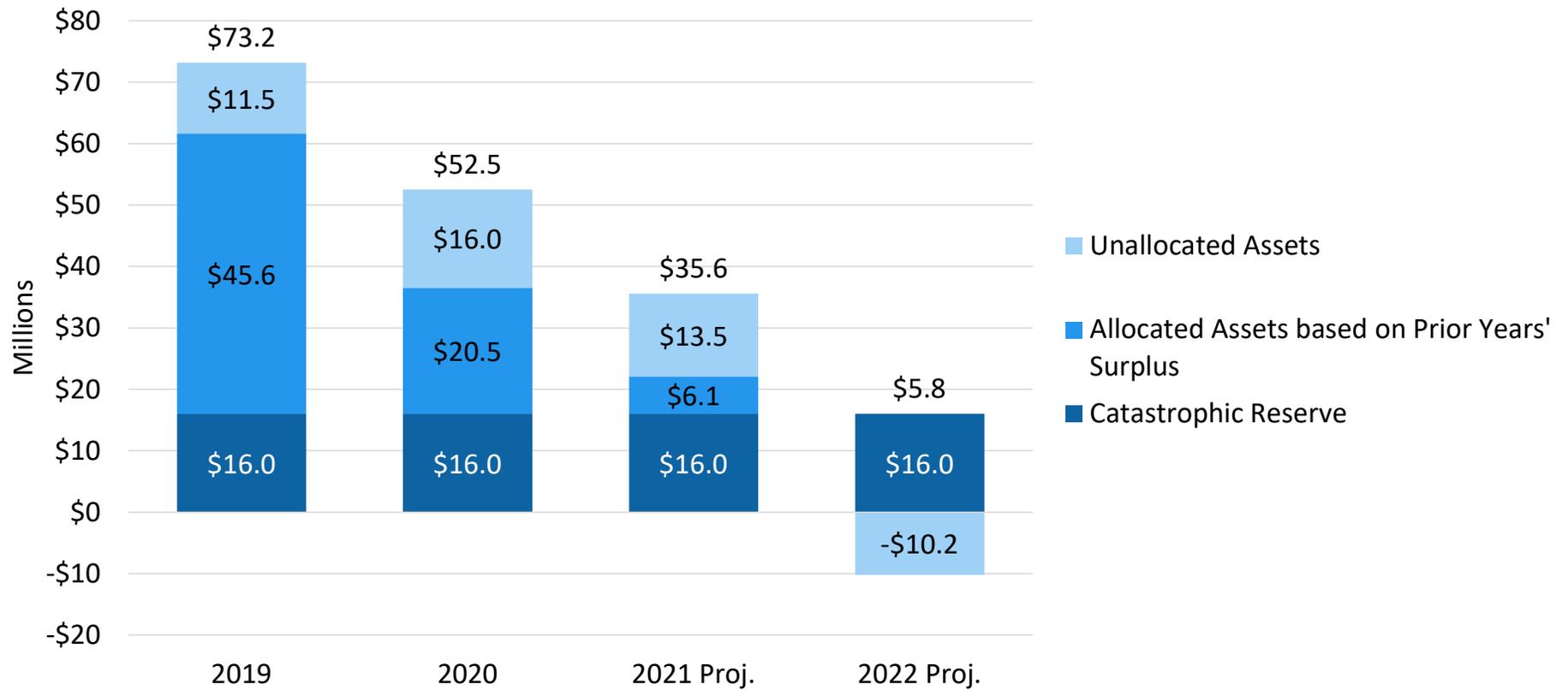


* Assets Net of IBNR as a portion of Expenses

Projected Assets: 2019 – 2021

Development of 2021 End-of-Year Assets (\$millions)			
			Assets
(a)	2020	End-of-Year Gross Assets	\$78.8
(b)	Proj 2021	Allocation of Prior Years' Surplus	(\$14.5)
(c)		Total Surplus / (Deficit)	(\$6.0)
(d)		FICA Funding	\$3.5
(e) = (a) + (b) + (c) + (d)		End-of-Year Gross Assets Available	\$61.8
(f)		Incurred but not reported (IBNR)	(\$26.2)
(g) = (e) + (f)		End of Year Net Assets Available	\$35.6
(h)	Proj 2022	Allocation of Prior Years' Surplus	(\$6.1)
(i)		Total Surplus / (Deficit)	(\$27.2)
(j)		FICA Funding	\$3.5
(k) = (e) + (h) + (i) + (j)		End-of-Year Gross Assets Available	\$32.0
(l)		Incurred but not reported (IBNR)	(\$26.2)
(m) = (k) + (l)		End of Year Net Assets Available	\$5.8

End of Year Assets Net of IBNR



Summary of Financials 2013 – 2021

Arkansas State Employees^{1,2}

	In Millions									
Income	2013	2014	2015	2016	2017	2018	2019	2020	2021	
State Contributions	\$167	\$172	\$174	\$176	\$175	\$175	\$174	\$171	\$182	
Participant Contributions	\$87	\$91	\$95	\$95	\$97	\$97	\$97	\$101	\$110	
Other Income ⁴	\$10	\$11	\$12	\$12	\$16	\$20	\$23	\$17	\$19	
Total Income (excluding reserve)	\$264	\$274	\$282	\$283	\$288	\$291	\$295	\$289	\$311	
<i>Allocation of Reserve</i>	\$27	\$26	\$12	\$16	\$21	\$18	\$22	\$27	\$14	
Total Expenses³	\$291	\$276	\$266	\$276	\$269	\$307	\$303	\$312	\$332	
Surplus / Deficit (Income - Expenses)	(\$27)	(\$2)	\$16	\$7	\$19	(\$15)	(\$8)	(\$22)	(\$20)	
Assets										
Gross End of Year Net Assets ⁴	\$80	\$78	\$94	\$101	\$120	\$104	\$97	\$78	\$62	
Liabilities / IBNR	\$26	\$27	\$27	\$30	\$28	\$27	\$27	\$26	\$26	
End of Year Assets Net of Liabilities	\$54	\$52	\$67	\$71	\$92	\$77	\$69	\$52	\$36	
Enrollment										
Active	27,730	27,486	26,627	26,087	26,513	26,314	25,841	25,305	24,573	
NME	2,519	2,422	2,482	2,416	2,436	2,131	2,122	2,300	2,262	
ME Retirees	8,088	8,579	9,041	9,531	9,831	10,450	10,815	10,743	10,970	
Total	38,337	38,487	38,150	38,034	38,780	38,895	38,778	38,348	37,806	

¹ 2013 - 2020 Based on EBD Financial Statements

² 2021 Based on April 20, 2021 Board Report

³ Remove IBNR adjustments from expenses

⁴ FICA savings removed from other income in 2020, but deposited as an asset during the plan year.

Funding Allocation 2013 – 2021

Arkansas State Employees (ASE)*	
Year	State Contribution
2013	\$390.00
2014	\$410.00
2015	\$410.00
2016	\$420.00
2017	\$420.00
2018	\$420.00
2019	\$420.00
2020	\$420.00
2021	\$450.00

*Based on budgeted headcount

ASE Funding allocation 2013 - 2021 (% of Expenses; All Funding Sources)				
	State	Employee	Other Income*	Other (reserve)
2013	57%	30%	4%	9%
2014	62%	33%	4%	1%
2015	66%	36%	5%	-6%
2016	64%	34%	4%	-3%
2017	65%	36%	6%	-7%
2018	57%	32%	6%	5%
2019	57%	32%	8%	3%
2020	55%	32%	6%	7%
2021	55%	33%	6%	6%

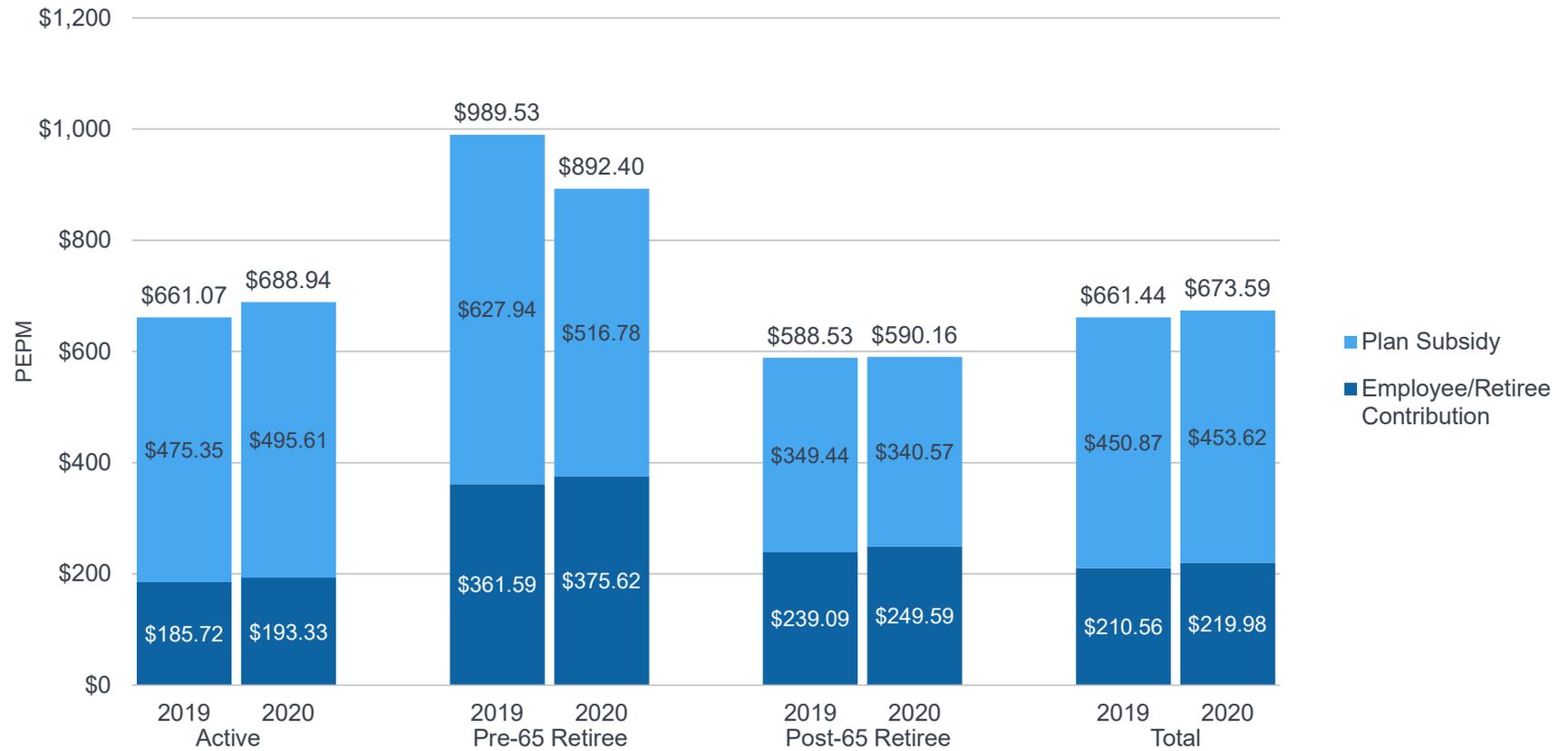
*Other Income: Primarily funding from Retiree Drug Subsidy, Rx Rebates, and Investment Returns

ASE Funding allocation 2013 - 2021 (% of Expenses; does not include other income or use of reserves)		
	State	Employee
2013	66%	34%
2014	65%	35%
2015	65%	35%
2016	65%	35%
2017	64%	36%
2018	64%	36%
2019	64%	36%
2020	63%	37%
2021	62%	38%

Summary of Decisions 2013 – 2021

Plan Year	Summary of Changes
2021	<ul style="list-style-type: none"> • Increased contributions 5% • Provide stipend for Post-65 Retirees opting out of pharmacy • Reduced wellness credit by \$25 per month • Increased State funding from \$420 to \$450
2020	<ul style="list-style-type: none"> • Increased contributions 5%
2019	<ul style="list-style-type: none"> • No changes
2018	<ul style="list-style-type: none"> • Embedded individual deductible maximum to Classic Plan
2017	<ul style="list-style-type: none"> • Expanded \$75 wellness credit requirements to spouses
2016	<ul style="list-style-type: none"> • Embedded Out-of-Pocket Maximum (OOPM) for Classic and Basic.
2015	<ul style="list-style-type: none"> • Benefit Plan Changes from Gold, Silver, Bronze to Premium, Classic, and Basic • Introduced wellness credit of \$75 per month to employees
2014	<ul style="list-style-type: none"> • Plan Changes that increased deductibles, copays and OOPM
2013	<ul style="list-style-type: none"> • Women's preventive care covered at 100%.

Employee Contribution and Plan Subsidy by Employment Status



ASE - Summary of Initiatives from April 20th Board Meeting

- 2022 ASE target: **(\$33.3M)** (estimated deficit + 10% catastrophic reserve minimum)

Initiative	2022 Estimated	
	Savings	Balance
5% Active Contribution Increase	\$3.1M	(\$30.2M)
10% Pre-65 and Post-65 Retiree Contribution Increase	\$4.5M	(\$25.7M)
Reduction in Wellness Credit for Actives from \$50 to \$25	\$5.2M	(\$20.5M)
Add Non-Wellness Contribution for Actives (\$50 per month)	\$3.5M	(\$17.0M)
Eliminate Wellness Preventive Screening Requirement	\$2.7M	(\$14.3M)
Increase Monthly State Funding by \$50 Per Month to \$500	<u>\$20.5M</u>	\$6.2M
Total	\$39.5M	

Contribution changes do not reflect migration between benefit plans or tier

Add Non-Wellness Contribution impacts the spread between employees who earn the wellness incentive and those who do not earn the wellness incentive.

ASE - Active Wellness (Based on April 20th Board Meeting)

Tier	Projected Employees	2021 Contribution	2022 Contribution	Contribution Change (\$)	Contribution Change (%)
<u>Premium</u>					
Employee	9,403	\$143.99	\$176.19	\$32.20	22.4%
Employee & Spouse	1,196	\$455.48	\$503.25	\$47.77	10.5%
Employee & Child(ren)	3,734	\$263.52	\$301.70	\$38.18	14.5%
Family	1,056	\$575.01	\$628.76	\$53.75	9.3%
<u>Classic</u>					
Employee	1,331	\$77.79	\$106.68	\$28.89	37.1%
Employee & Spouse	129	\$300.98	\$341.03	\$40.05	13.3%
Employee & Child(ren)	383	\$149.30	\$181.77	\$32.47	21.7%
Family	195	\$372.49	\$416.11	\$43.62	11.7%
<u>Basic</u>					
Employee	986	\$0.00	\$0.00	\$0.00	0.0%
Employee & Spouse	92	\$175.44	\$209.21	\$33.77	19.2%
Employee & Child(ren)	185	\$56.98	\$84.83	\$27.85	48.9%
Family	106	\$207.43	\$242.80	\$35.37	17.1%

ASE - Active Non-Wellness (Based on April 20th Board Meeting)

Tier	Projected Employees	2021 Contribution	2022 Contribution	Contribution Change (\$)	Contribution Change (%)
<u>Premium</u>					
Employee	2,601	\$193.99	\$251.19	\$57.20	29.5%
Employee & Spouse	572	\$505.48	\$578.25	\$72.77	14.4%
Employee & Child(ren)	904	\$313.52	\$376.70	\$63.18	20.2%
Family	568	\$625.01	\$703.76	\$78.75	12.6%
<u>Classic</u>					
Employee	467	\$127.79	\$181.68	\$53.89	42.2%
Employee & Spouse	77	\$350.98	\$416.03	\$65.05	18.5%
Employee & Child(ren)	113	\$199.30	\$256.77	\$57.47	28.8%
Family	82	\$422.49	\$491.11	\$68.62	16.2%
<u>Basic</u>					
Employee	311	\$50.00	\$75.00	\$25.00	50.0%
Employee & Spouse	34	\$225.44	\$284.21	\$58.77	26.1%
Employee & Child(ren)	47	\$106.98	\$159.83	\$52.85	49.4%
Family	35	\$257.43	\$317.80	\$60.37	23.5%

ASE - Pre-65 Retirees (Based on April 20th Board Meeting)

Tier	Projected Retirees	2021 Contribution	2022 Contribution	Contribution Change (\$)	Contribution Change (%)
<u>Premium</u>					
Retiree	1,515	\$293.71	\$323.08	\$29.37	10.0%
Retiree & NME Spouse	240	\$751.78	\$826.96	\$75.18	10.0%
Retiree & Child(ren)	90	\$542.75	\$597.03	\$54.28	10.0%
Retiree & NME Spouse & Child(ren)	37	\$1,000.80	\$1,100.88	\$100.08	10.0%
Retiree & ME Spouse	164	\$567.55	\$624.31	\$56.76	10.0%
Retiree & ME Spouse & Child(ren)	11	\$816.59	\$898.25	\$81.66	10.0%
<u>Classic</u>					
Retiree	87	\$227.51	\$250.26	\$22.75	10.0%
Retiree & Spouse	16	\$597.26	\$656.99	\$59.73	10.0%
Retiree & Child(ren)	3	\$428.53	\$471.38	\$42.85	10.0%
Family	10	\$798.27	\$878.10	\$79.83	10.0%
<u>Basic</u>					
Retiree	41	\$174.72	\$192.19	\$17.47	10.0%
Retiree & Spouse	9	\$471.74	\$518.91	\$47.17	10.0%
Retiree & Child(ren)	2	\$336.19	\$369.81	\$33.62	10.0%
Family	3	\$633.21	\$696.53	\$63.32	10.0%

ASE - Post-65 Retirees (Based on April 20th Board Meeting)

Tier	Projected Retirees	2021 Contribution	2022 Contribution	Contribution Change (\$)	Contribution Change (%)
<u>Primary</u>					
Retiree	8,229	\$183.92	\$202.31	\$18.39	10.0%
Retiree & Non-Medicare Spouse	297	\$641.99	\$706.19	\$64.20	10.0%
Retiree & Child(ren)	59	\$432.96	\$476.26	\$43.30	10.0%
Retiree & Non-Medicare Spouse & Child(ren)	17	\$891.01	\$980.11	\$89.10	10.0%
Retiree & Medicare Spouse	2,677	\$440.62	\$484.68	\$44.06	10.0%
Retiree & Medicare Spouse & Child(ren)	33	\$689.66	\$758.63	\$68.97	10.0%

Summary of All Initiatives Modeled YTD

Initiative	2022 Estimated Savings
5% Contribution Increase for Actives, Pre-65 Retirees, and Post-65 Retirees	\$5.4M
Reduction in Wellness Credit from \$50 to \$25 ¹	\$5.2M
Eliminate Wellness Preventive Screening Requirement	\$2.7M
Increase Non-Wellness Contribution for Actives (\$25 per month)	\$1.7M
\$250 Deductible & OOPM Increase for Actives/Pre-65 Retirees	\$3.4M
Post-65 Retiree Coordination of Benefit Change	\$9.3M
State Funding Increase from \$450 to \$475	\$10.2M
Eliminate Basic Plan for Actives/Pre-65 Retirees	\$0.0M
Discontinue Medicare-Eligible Retiree Spouse Coverage ²	\$5.4M

¹ Not recommending elimination of wellness program, showing value of change to credit

² Original estimate of \$5.9M. However, if a 5% contribution increase is implemented across all plans and tiers, then the estimated savings drop from \$5.9M to \$5.4M

Public-School Employees (PSE)

Executive Summary

- 2021 & 2022 projections updated to incorporate medical claims data incurred from March 2019 to February 2020 and paid through March 2021 and pharmacy claims data incurred from February 2020 to January 2021 and paid through March 2021.
- 2021 projected plan experience – includes \$20M special funding from Department of Education
 - Projected deficit Before Allocation of Prior Years' Surplus: **-\$12.7M**
 - Allocation of Prior Years' Surplus for 2021: \$15.5M
 - Projected surplus: \$2.8M (after prior years' surplus allocation)
 - Reflected 2021 program initiatives and board decisions
 - Increased membership based on historical patterns
 - Baseline trends (medical: 7%, pharmacy: 8%)
- 2022 projected plan experience (status quo scenario)
 - Projected deficit Before Allocation of Prior Years' Surplus: **-\$70.0M**
 - Allocation of Prior Years' Surplus for 2022: \$7.1
 - Estimated deficit of **-\$63.0M** (after prior years' surplus allocation)
 - Reflects baseline scenario
 - No plan design or contribution changes

Total Plan Experience

<u>Funding</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
PPE Funding	\$ 102.23	\$ 105.91	\$ 109.54
Employee Contribution	124.15	137.77	142.88
Dept of Ed Funding	90.45	130.45	110.45
Other	13.41	16.42	16.62
Total Income	\$ 330.24	\$ 390.55	\$ 379.49
Medical Claims	\$ (253.50)	\$ (302.36)	\$ (339.74)
Pharmacy Claims	(67.04)	(74.61)	(82.54)
Administration Fees	(26.80)	(28.35)	(29.41)
Plan Administration	(3.16)	(1.79)	(1.85)
Total Expenses	\$ (350.50)	\$ (407.12)	\$ (453.54)
Program Savings	\$ -	\$ 3.88	\$ 4.00
Net Income / (Loss) Before Reserve Allocation	\$ (20.26)	\$ (12.69)	\$ (70.05)
Allocation of Reserves	\$ 22.00	\$ 15.48	\$ 7.05
Net Income / (Loss) After Reserve Allocation	\$ 1.74	\$ 2.79	\$ (63.00)

*Amounts above expressed in millions

<u>Average Membership</u>			
Active Employees / Pre-65 Retirees	84,232	85,612	88,139
Post-65 Retirees	15,005	15,855	16,806
Total Enrolled	99,236	101,467	104,946

Total Income PMPM¹	\$ 295.80	\$ 333.46	\$ 306.94
Total Expenses PMPM²	\$ (294.33)	\$ (331.17)	\$ (356.96)

¹ Allocation of Reserves included in Total Income

² Total Expenses offset by Program Savings

Change in Revenue, Expenses, and Assets (\$millions)

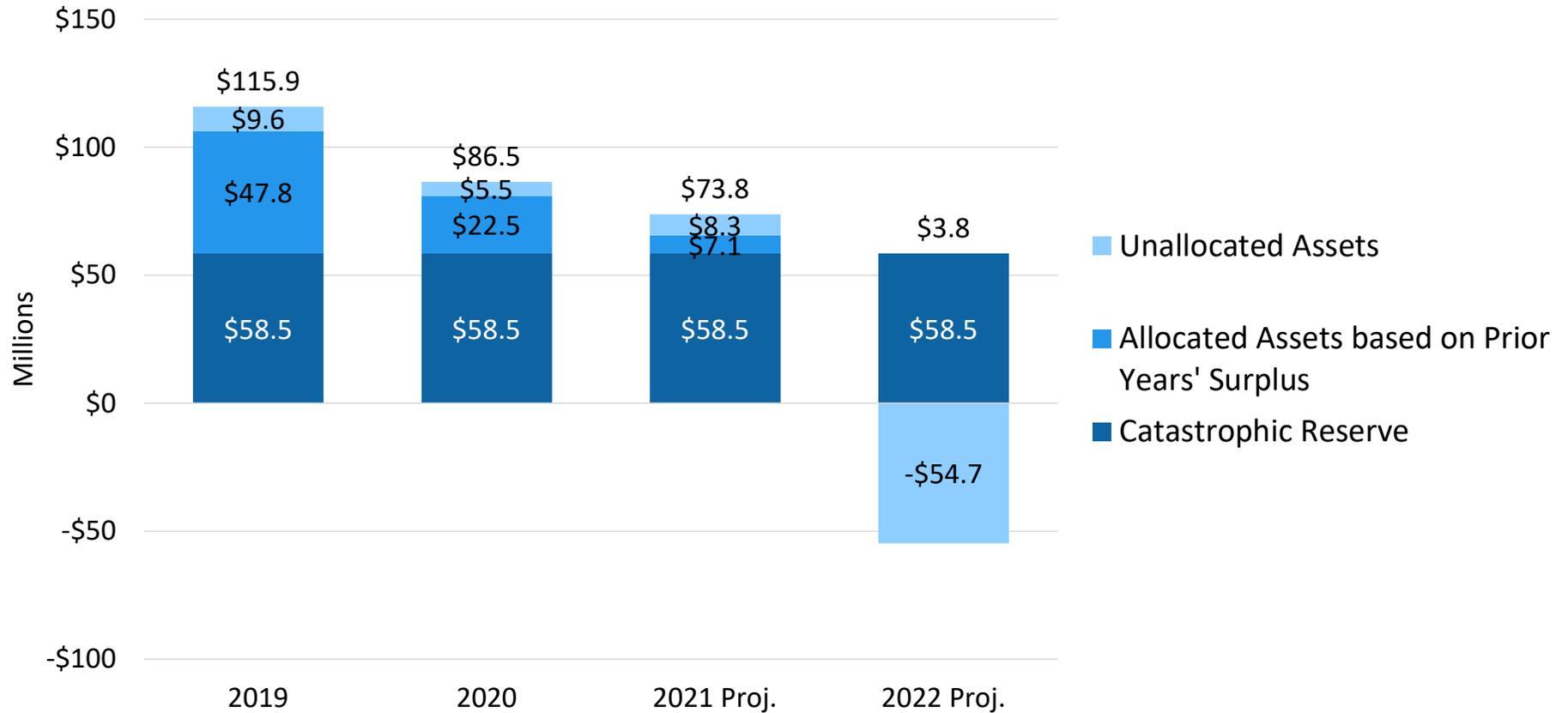


* Assets Net of IBNR as a portion of Expenses

Projected Assets: 2019 – 2021

Development of 2021 End-of-Year Assets (\$millions)			
			Assets
(a)	2020	End-of-Year Gross Assets	\$123.6
(b)	Proj 2021	Allocation of Prior Years' Surplus	(\$15.5)
(c)		Total Surplus / (Deficit)	\$2.8
(d) = (a) + (b) + (c)		End-of-Year Gross Assets Available	\$110.9
(e)		Incurred but not reported (IBNR)	(\$37.1)
(f) = (d) + (e)		End of Year Net Assets Available	\$73.8
(g)	Proj 2022	Allocation of Prior Years' Surplus	(\$7.1)
(h)		Total Surplus / (Deficit)	(\$63.0)
(i) = (d) + (g) + (h)		End-of-Year Gross Assets Available	\$40.9
(j)		Incurred but not reported (IBNR)	(\$37.1)
(k) = (i) + (j)		End of Year Net Assets Available	\$3.8

End of Year Assets Net of IBNR



Summary of Financials 2013 – 2021

Public School Employees^{1,2}

	In Millions									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Income										
State Contributions	\$50	\$50	\$104	\$70	\$77	\$88	\$88	\$90	\$130	
Minimum District Contributions	\$72	\$82	\$82	\$84	\$87	\$89	\$91	\$92	\$94	
Participant Contributions	\$156	\$138	\$125	\$125	\$127	\$128	\$132	\$134	\$149	
Other Income	\$53	\$22	\$8	\$8	\$11	\$14	\$15	\$13	\$16	
Total Income (excluding reserve)	\$331	\$292	\$319	\$287	\$301	\$319	\$327	\$330	\$391	
<i>Allocation of Reserve</i>	\$9	\$43	\$20	\$48	\$44	\$23	\$13	\$22	\$15	
Total Expenses³	\$307	\$287	\$262	\$283	\$277	\$321	\$338	\$351	\$403	
Surplus / Deficit (Income - Expenses)	\$24	\$5	\$57	\$4	\$24	(\$2)	(\$12)	(\$20)	(\$13)	
Assets										
Gross End of Year Net Assets	\$70	\$75	\$132	\$136	\$160	\$161	\$149	\$124	\$111	
Liabilities / IBNR	\$30	\$29	\$29	\$31	\$27	\$29	\$28	\$37	\$37	
End of Year Assets Net of Liabilities	\$41	\$46	\$103	\$105	\$133	\$132	\$121	\$86	\$74	
Enrollment										
Active	45,608	45,395	44,846	45,444	46,271	47,029	47,834	47,367	47,816	
NME	3,282	3,288	3,313	3,178	3,261	3,165	3,165	3,273	3,372	
ME Retirees	8,492	9,695	10,566	11,488	12,181	12,924	13,578	12,709	14,580	
Total	57,382	58,378	58,725	60,110	61,713	63,118	64,577	63,349	65,768	

¹ 2013 - 2020 Based on EBD Financial Statements

² 2021 Based on April 20, 2021 Board Report

³ Remove IBNR adjustments from expenses

Funding Allocation 2013 – 2021

Public School Employees (PSE)*			
Year	State Contribution	District Contribution	Total Combined Contribution
2013	\$91.36	\$131.00	\$222.36
2014	\$91.79	\$150.00	\$241.79
2015	\$193.99	\$153.00	\$346.99
2016	\$128.36	\$154.48	\$282.84
2017	\$137.79	\$155.93	\$293.72
2018	\$156.11	\$157.50	\$313.61
2019	\$153.48	\$159.10	\$312.58
2020	\$159.13	\$161.87	\$321.00
2021	\$227.35	\$164.66	\$392.01

*Based on active headcount

PSE Funding allocation 2013 - 2021 (% of Expenses; All Funding Sources)					
	State	Min District	Employee	Other Income*	Other (reserve)
2013	16%	23%	51%	17%	-8%
2014	17%	28%	48%	8%	-2%
2015	40%	31%	48%	3%	-22%
2016	25%	30%	44%	3%	-1%
2017	28%	31%	46%	4%	-9%
2018	27%	28%	40%	4%	1%
2019	26%	27%	39%	4%	3%
2020	26%	26%	38%	4%	6%
2021	32%	23%	37%	4%	3%

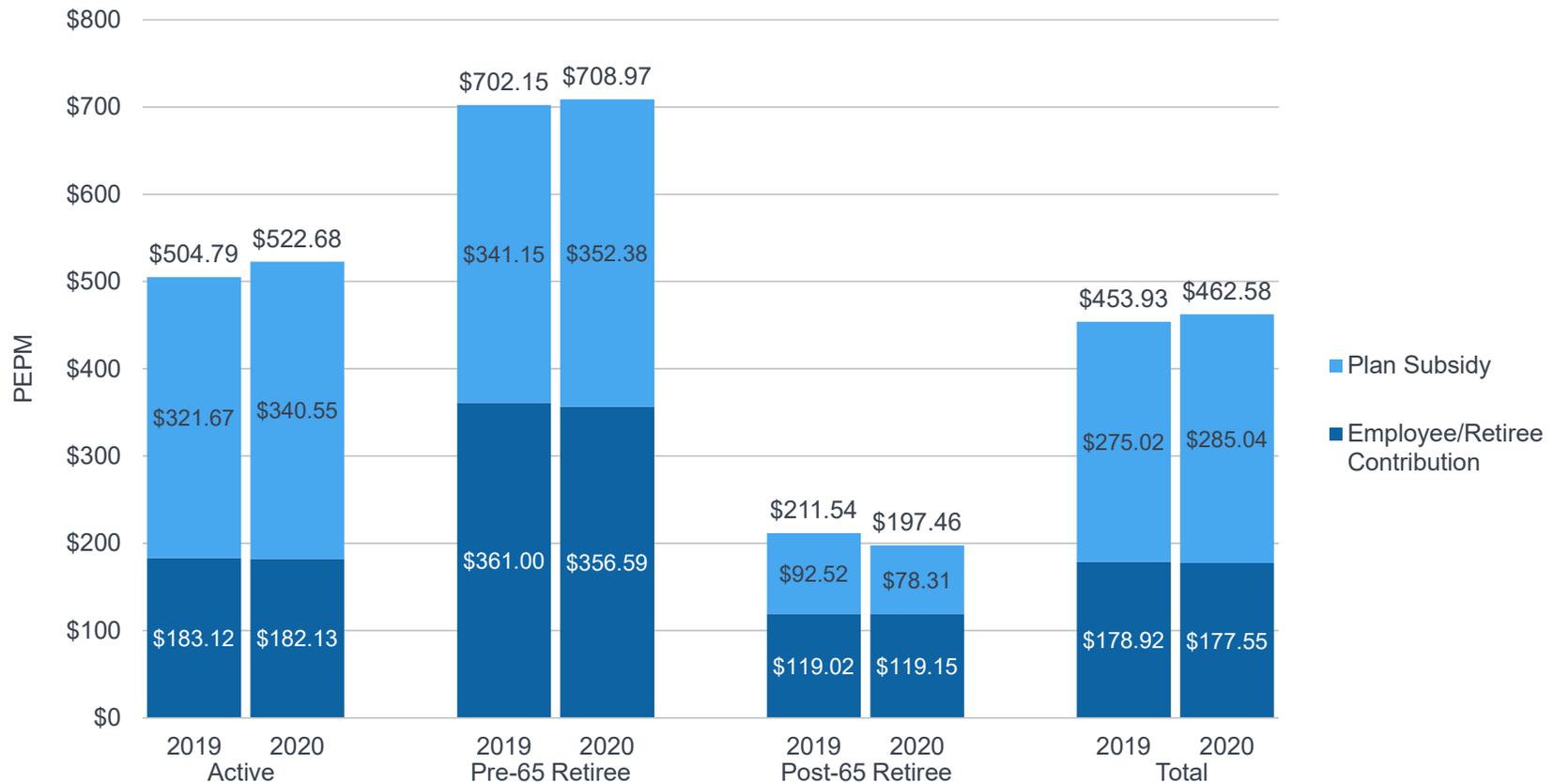
*Other Income: Primarily funding from FICA savings, Rx Rebates, and Investment Returns

PSE Funding allocation 2013 - 2021 (% of Expenses; does not include other income or use of reserves)			
	State	Min District	Employee
2013	18%	26%	56%
2014	19%	30%	51%
2015	34%	26%	40%
2016	25%	30%	45%
2017	26%	30%	44%
2018	29%	29%	42%
2019	28%	29%	42%
2020	29%	29%	42%
2021	35%	25%	40%

Summary of Decisions 2013 – 2021

Plan Year	Changes
2021	<ul style="list-style-type: none"> • Reduced wellness credit by \$25 per month • Increased Department of Education Funding by \$20M • One time special funding from Department of Education of \$20M
2020	<ul style="list-style-type: none"> • No changes
2019	<ul style="list-style-type: none"> • Decreased deductibles for Premium, Classic, and Basic
2018	<ul style="list-style-type: none"> • Embedded individual deductible maximum to Classic Plan
2017	<ul style="list-style-type: none"> • Expanded \$75 wellness credit requirements to spouses
2016	<ul style="list-style-type: none"> • Embedded Out-of-Pocket Maximum (OOPM) for Classic and Basic.
2015	<ul style="list-style-type: none"> • Benefit Plan Changes from Gold, Silver, Bronze to Premium, Classic, and Basic • Introduced wellness credit of \$75 per month to employees
2014	<ul style="list-style-type: none"> • Plan Changes that increased deductibles, copays and OOPM
2013	<ul style="list-style-type: none"> • Women's preventive care covered at 100%.

Employee Contribution and Plan Subsidy by Employment Status



PSE - Summary of Initiatives from April 20th Board Meeting

- 2022 PSE target: **(\$70.0M)** (estimated deficit + 10% catastrophic reserve minimum)

Initiative	2022 Estimated	
	Savings	Balance
10% Active Contribution Increase	\$11.4M	(\$58.6M)
15% Pre-65 Retiree Contribution Increase	\$2.2M	(\$56.4M)
20% Post-65 Retiree Contribution Increase	\$4.4M	(\$52.0M)
Reduction in Wellness Credit for Actives from \$50 to \$25	\$11.7M	(\$40.3M)
Add Non-Wellness Contribution for Actives (\$50 per month)	\$6.2M	(\$34.1M)
Eliminate Wellness Preventive Screening Requirement	<u>\$4.4M</u>	(\$29.7M)
Total	\$40.3M	

Contribution changes do not reflect migration between benefit plans or tier.

Add Non-Wellness Contribution impacts the spread between employees who earn the wellness incentive and those who do not earn the wellness incentive.

PSE - Active Wellness (Based on April 20th Board Meeting)

Tier	Projected Employees	2021 Contribution	2022 Contribution	Contribution Change (\$)	Contribution Change (%)
<u>Premium</u>					
Employee	10,706	\$208.46	\$254.31	\$45.85	22.0%
Employee & Spouse	170	\$856.20	\$966.82	\$110.62	12.9%
Employee & Child(ren)	1,861	\$495.54	\$570.09	\$74.55	15.0%
Family	335	\$858.44	\$969.28	\$110.84	12.9%
<u>Classic</u>					
Employee	12,571	\$71.02	\$103.12	\$32.10	45.2%
Employee & Spouse	1,280	\$379.62	\$442.58	\$62.96	16.6%
Employee & Child(ren)	5,642	\$183.42	\$226.76	\$43.34	23.6%
Family	2,627	\$383.32	\$446.65	\$63.33	16.5%
<u>Basic</u>					
Employee	2,902	\$36.26	\$64.89	\$28.63	78.9%
Employee & Spouse	194	\$297.78	\$352.56	\$54.78	18.4%
Employee & Child(ren)	485	\$146.86	\$186.55	\$39.69	27.0%
Family	277	\$300.62	\$355.68	\$55.06	18.3%

PSE - Active Non-Wellness (Based on April 20th Board Meeting)

Tier	Projected Employees	2021 Contribution	2022 Contribution	Contribution Change (\$)	Contribution Change (%)
<u>Premium</u>					
Employee	2,922	\$258.46	\$329.31	\$70.85	27.4%
Employee & Spouse	83	\$906.20	\$1,041.82	\$135.62	15.0%
Employee & Child(ren)	451	\$545.54	\$645.09	\$99.55	18.2%
Family	188	\$908.44	\$1,044.28	\$135.84	15.0%
<u>Classic</u>					
Employee	2,744	\$121.02	\$178.12	\$57.10	47.2%
Employee & Spouse	441	\$429.62	\$517.58	\$87.96	20.5%
Employee & Child(ren)	1,013	\$233.42	\$301.76	\$68.34	29.3%
Family	1,153	\$433.32	\$521.65	\$88.33	20.4%
<u>Basic</u>					
Employee	881	\$86.26	\$139.89	\$53.63	62.2%
Employee & Spouse	91	\$347.78	\$427.56	\$79.78	22.9%
Employee & Child(ren)	128	\$196.86	\$261.55	\$64.69	32.9%
Family	162	\$350.62	\$430.68	\$80.06	22.8%

PSE - Pre-65 Retirees (Based on April 20th Board Meeting)

Tier	Projected Retirees	2021 Contribution	2022 Contribution	Contribution Change (\$)	Contribution Change (%)
<u>Premium</u>					
Retiree	390	\$641.14	\$737.31	\$96.17	15.0%
Retiree & NME Spouse	14	\$1,457.18	\$1,675.76	\$218.58	15.0%
Retiree & Child(ren)	7	\$1,192.60	\$1,371.49	\$178.89	15.0%
Retiree & NME Spouse & Child(ren)	2	\$2,008.64	\$2,309.94	\$301.30	15.0%
Retiree & ME Spouse	60	\$795.12	\$914.39	\$119.27	15.0%
Retiree & ME Spouse & Child(ren)	0	\$1,346.58	\$1,548.57	\$201.99	15.0%
<u>Classic</u>					
Retiree	2,017	\$273.30	\$314.30	\$41.00	15.0%
Retiree & Spouse	309	\$565.78	\$650.65	\$84.87	15.0%
Retiree & Child(ren)	70	\$469.82	\$540.29	\$70.47	15.0%
Family	41	\$746.20	\$858.13	\$111.93	15.0%
<u>Basic</u>					
Retiree	424	\$148.50	\$170.78	\$22.28	15.0%
Retiree & Spouse	66	\$269.72	\$310.18	\$40.46	15.0%
Retiree & Child(ren)	22	\$238.52	\$274.30	\$35.78	15.0%
Family	23	\$335.72	\$386.08	\$50.36	15.0%

PSE - Post-65 Retirees (Based on April 20th Board Meeting)

Tier	Projected Retirees	2021 Contribution	2022 Contribution	Contribution Change (\$)	Contribution Change (%)
<u>Primary</u>					
Retiree	14,135	\$100.78	\$120.94	\$20.16	20.0%
Retiree & Non-Medicare Spouse	92	\$783.92	\$940.70	\$156.78	20.0%
Retiree & Child(ren)	12	\$757.10	\$908.52	\$151.42	20.0%
Retiree & Non-Medicare Spouse & Child(ren)	7	\$1,521.48	\$1,825.78	\$304.30	20.0%
Retiree & Medicare Spouse	1,228	\$263.04	\$315.65	\$52.61	20.0%
Retiree & Medicare Spouse & Child(ren)	3	\$888.58	\$1,066.30	\$177.72	20.0%

Summary of All Initiatives Modeled YTD

Initiative	2022 Estimated Savings
10% Contribution Increase for Actives, Pre-65 Retirees, and Post-65 Retirees	\$15.1M
Reduction in Wellness Credit from \$50 to \$25 ¹	\$11.7M
Eliminate Wellness Preventive Screening Requirement	\$4.4M
Increase Non-Wellness Contribution for Actives (\$25 per month)	\$3.1M
\$250 Deductible & OOPM Increase for Actives/Pre-65 Retirees	\$5.1M
Post-65 Retiree Coordination of Benefit Change	\$11.0M
Eliminate Basic Plan for Actives/Pre-65 Retirees	(\$1.1M)

¹ Not recommending elimination of wellness program, showing value of change to credit

2022 Wellness Considerations

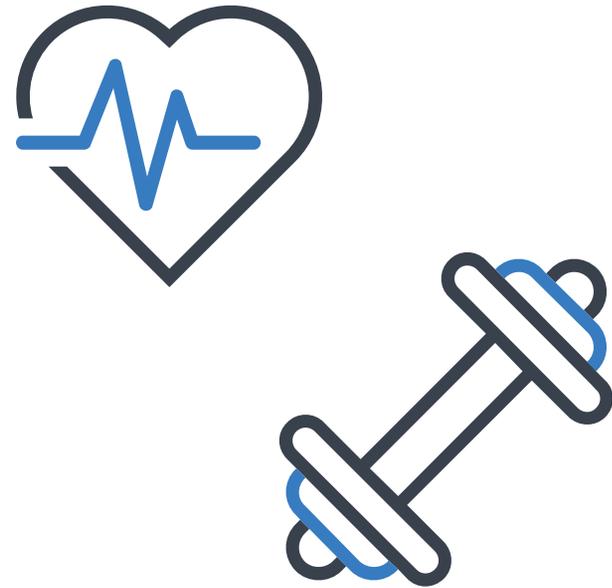
State of Arkansas' Wellness Program

Background

- Currently, employees can earn a \$50 monthly wellness credit towards their contribution
- Approximately 75-80% of enrolled employees satisfy the wellness requirements annually

Program requirements

- Biometric screening / wellness visit
- Complete health assessment
- Be a non-tobacco user or complete a tobacco cessation program



Benchmark – Wellness Programs

- State of Arkansas Program
 - In 2020, Active employees could earn \$75 per month premium credit if they complete the wellness program
 - Premium credit for completing wellness program was reduced to \$50 per month in 2021
- Wellness Program Comparison

State	Offer Program	Incentive (per month)	Requirement
Arkansas	Yes	\$50	Screening / Tobacco Free
Alabama	Yes	\$25	Screening
Louisiana	Yes	\$10	Screening
Mississippi	No	\$0	N/A
Missouri	Yes	\$25	HRA / Quiz
Oklahoma	No	\$0	N/A
Tennessee	Yes	\$20.83 / \$41.67	Variety of Options
Texas	Yes	Gift (up to \$100 annually)	Variety of Options

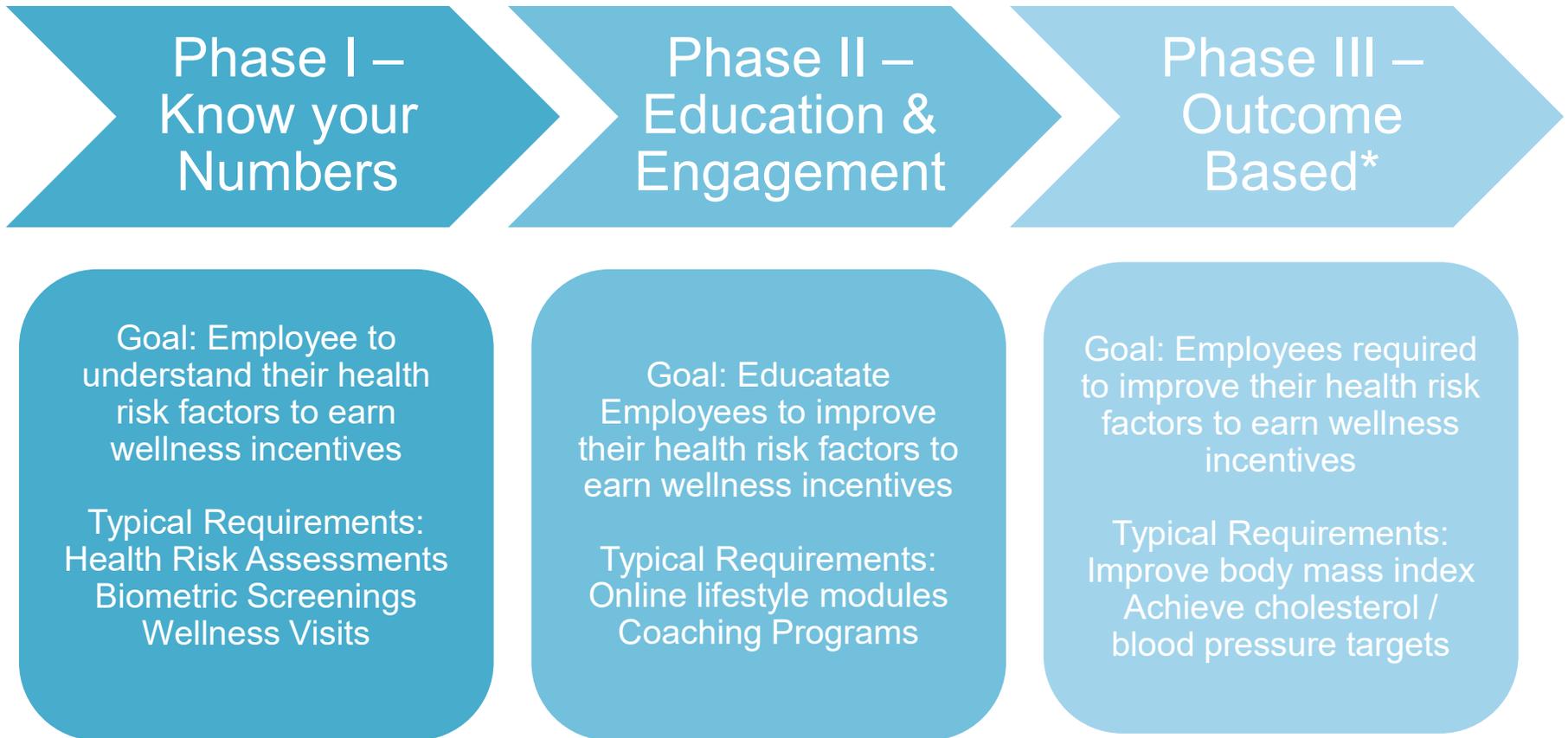
Benchmark – Tobacco Programs

- State of Arkansas Program
 - Embedded with Wellness Program

State	Offer Program	Surcharge (per month)	Comments
Arkansas	Yes*	\$0	Embedded with Wellness
Alabama	Yes	\$60	Per employee / spouse
Louisiana	No	\$0	N/A
Mississippi	No	\$0	N/A
Missouri	Yes	\$40	Per employee / spouse
Oklahoma	Yes	\$0	Required to enroll in “rich” plans
Tennessee	Yes*	\$0	Embedded with Wellness
Texas	Yes	\$30	Per employee / spouse / children

* Tobacco program is embedded with the Wellness program.

Wellness Program Spectrum



**Many plan sponsors have not implemented phase III due to ADA and GINA regulations*

Review of Potential Criteria for Wellness Program

Option 1 – Surcharge based on tobacco status, credit for completing HA and online coaching module; 4 sets of rates

- On April 20, 2021 – The Board voted to remove the biometric screening and wellness visit requirement from the wellness program
 - EBD has collected biometric data on its employees for numerous years
 - EBD will continue to cover wellness visits at no cost sharing as required by ACA

Example: Assume employee contribution is \$200 before the wellness credit or tobacco surcharge

Description	Tobacco Free Per Affidavit or Complete Cessation Requirements	Complete Health Assessment (HA) and Online Program	Contribution before Wellness Credit or Surcharge	Wellness Credit per Month	Tobacco Surcharge	Contribution after Wellness Credit or Surcharge
Avoid surcharge, earn incentive	√	√	\$200	\$25	\$0	\$175
Avoid surcharge, no incentive	√	○	\$200	\$0	\$0	\$200
Pay surcharge, earn incentive	○	√	\$200	\$25	\$50	\$225
Pay surcharge, no incentive	○	○	\$200	\$0	\$50	\$250

Review of Potential Criteria for Wellness Program

Option 2 – Surcharge based on completing HA and tobacco status, credit for online coaching module; 4 sets of rates

- On April 20, 2021 – The Board voted to remove the biometric screening and wellness visit requirement from the wellness program
 - EBD has collected biometric data on its employees for numerous years
 - EBD will continue to cover wellness visits at no cost sharing as required by ACA

Example: Assume employee contribution is \$200 before the wellness credit or tobacco surcharge

Description	Tobacco Free Per Affidavit or Complete Cessation Requirements and Health Assessment	Complete Online Program	Contribution before Wellness Credit or Surcharge	Wellness Credit per Month	Tobacco Surcharge	Contribution after Wellness Credit or Surcharge
Avoid surcharge, earn incentive	√	√	\$200	\$25	\$0	\$175
Avoid surcharge, no incentive	√	○	\$200	\$0	\$0	\$200
Pay surcharge, earn incentive	○	√	\$200	\$25	\$50	\$225
Pay surcharge, no incentive	○	○	\$200	\$0	\$50	\$250

Review of Potential Criteria for Wellness Program

Option 3 – Same criteria for surcharge and credit; maintains having two sets of rates

- On April 20, 2021 – The Board voted to remove the biometric screening and wellness visit requirement from the wellness program
 - EBD has collected biometric data on its employees for numerous years
 - EBD will continue to cover wellness visits at no cost sharing as required by ACA

Example: Assume employee contribution is \$200 before the wellness credit or tobacco surcharge

Description	Complete All 3 Requirements: Tobacco Status, HA, Online Coaching	Contribution before Wellness Credit or Surcharge	Wellness Credit per Month	Tobacco Surcharge	Contribution after Wellness Credit or Surcharge
Avoid surcharge, earn incentive	√	\$200	\$25	\$0	\$175
Pay surcharge, no incentive	√	\$200	\$0	\$50	\$250

Review of Potential Criteria for Wellness Program

Summary of Presented Options*

Option Number	Criteria for Avoiding \$50 Surcharge	Criteria for Earning \$25 Wellness Incentive	# of Rate Schedules Per Tier/Plan/Group
1	<input type="checkbox"/> Tobacco Status	<input type="checkbox"/> HA Completion <input type="checkbox"/> Online Coaching	4
2	<input type="checkbox"/> Tobacco Status <input type="checkbox"/> HA Completion	<input type="checkbox"/> Online Coaching	4
3*	<input type="checkbox"/> Tobacco Status <input type="checkbox"/> HA Completion <input type="checkbox"/> Online Coaching	<input type="checkbox"/> Tobacco Status <input type="checkbox"/> HA Completion <input type="checkbox"/> Online Coaching	2

*Milliman projections were based on Option 3 (all or nothing) and assumed that the percentage of members avoiding the surcharge and earning the incentive would match historical levels. The actual percentage earning the incentive may vary from historical patterns.

Benchmarking – Plan Performance

Framework for Detailed Evaluation of Plan Performance

Risk-Adj Allowed PMPM

(Spending per Member Stratified for Condition Risk)

Utilization Efficiency

Price Efficiency

% of Medicare

Elective
Surgeries

Chronic
Condition
Complications

Optimal Site of
Service for
Non-Emergent
Conditions

Surgical
Complication
Rates

Low-Value
Services

Drilldown to
Detailed
Service
Category

Price Variation
Analyses

Benchmarking – Percent of Medicare Benchmarks

State	Percent of Medicare			
	IP	OP	Prof	Total
Arkansas – Benchmark	178%	174%	141%	160%
Arkansas – EBD ¹	136%	138%	134%	135%
National – Benchmark	203%	265%	143%	193%

¹ Arkansas EBD – Claims incurred 1/2020 - 12/2020 (paid thru 1/2021). Excludes Medicare eligible retirees due to secondary nature of EBD benefits.

Plan Management Process

Types of Plan Initiatives – Overview

- Plan initiatives can be broadly grouped into plan administration and plan management

Plan Administration Macro Issues

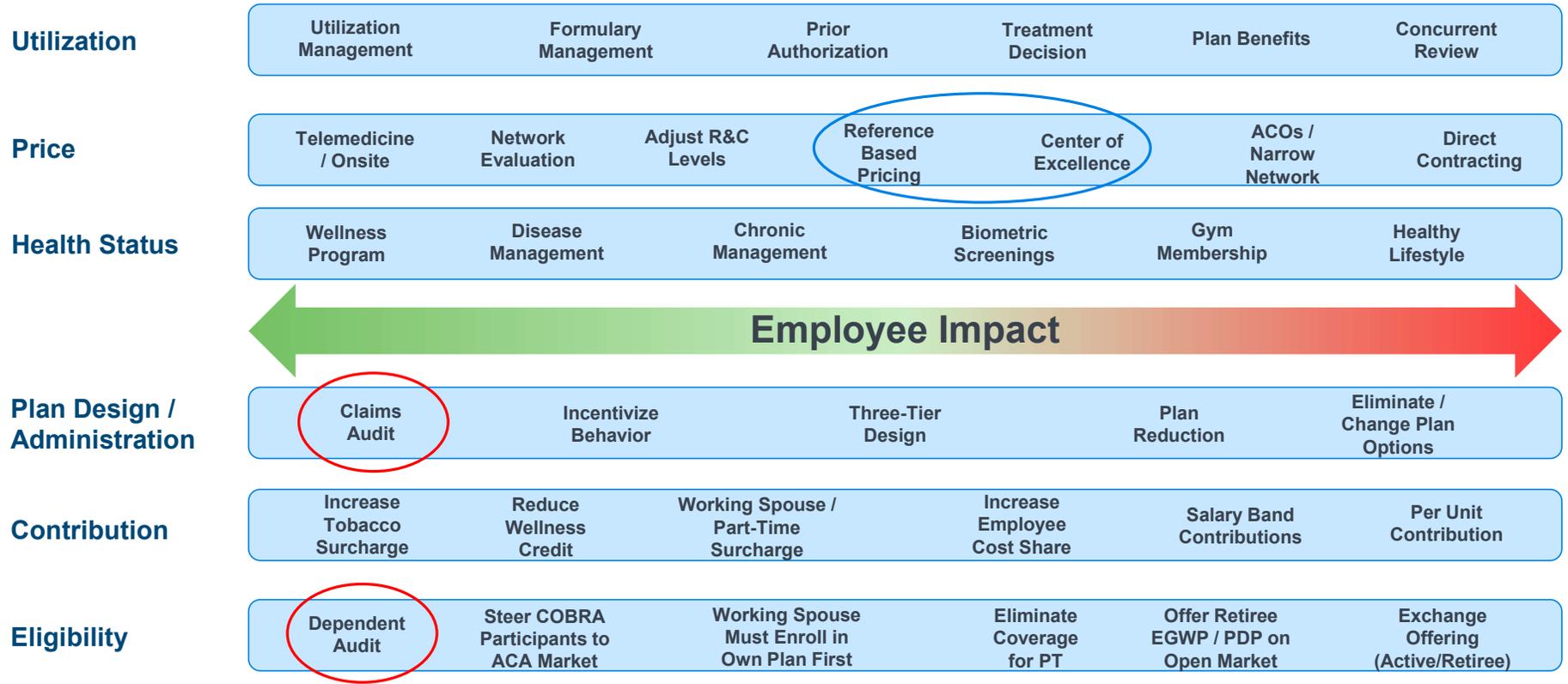
- Who should be covered?
- How should subsidies be structured?
- Are claims being paid correctly?
- What types of plan options should be offered?

Plan Management Micro Issues

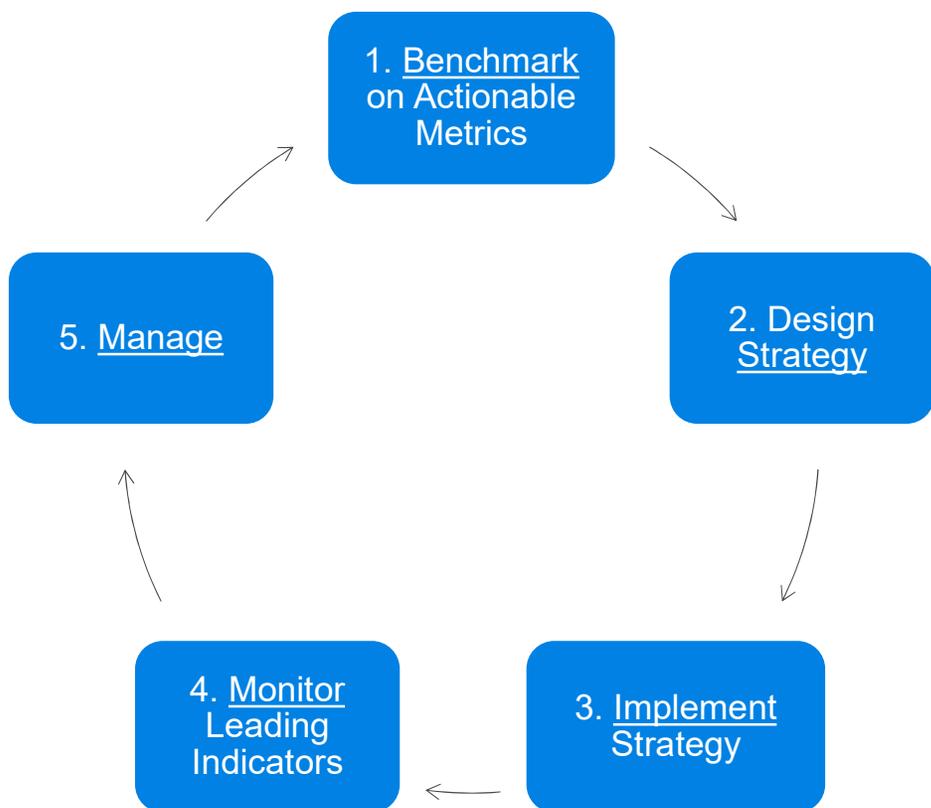
- What level of utilization management is appropriate?
- What coaching programs should be offered?
- What specific drugs should be covered (DUEC)?

Common Tactics for Controlling Cost

Cost = **Utilization** × **Price**



Performance Improvement Cycle and Strategy Development



Strategic Themes

- Population Health – long-term investment, difficult to measure, difficult to improve
- Chronic Conditions – improve identification of members with care gaps to minimize complications
- Price of Services – Plan contracting has biggest impact, may be micro-opportunities
- Reduce Low-Value Services – high potential but may require intrusive medical management and/or large incentive differentials

Benchmarking – Benefit Program

Benchmarking – Plan Design Findings

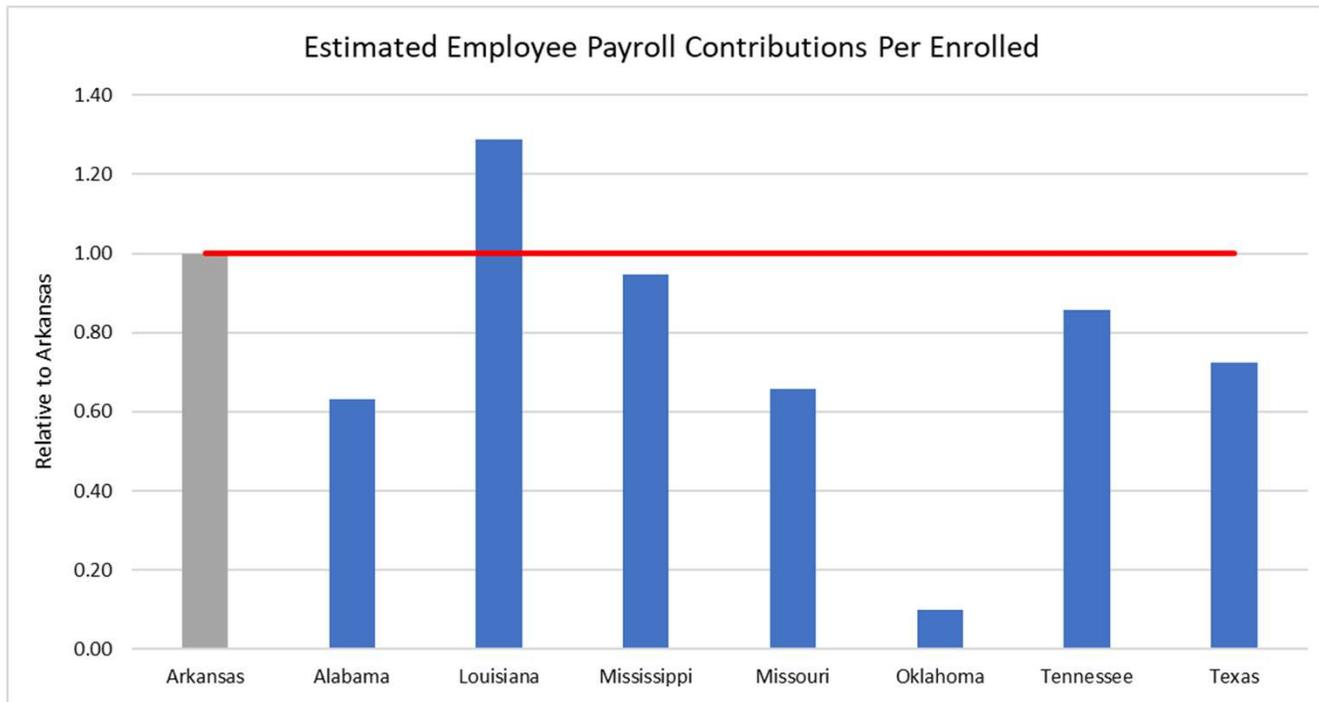
- On average, states offer between 2 to 3 plans
 - Alabama only offers 1 plan, which is comparable to the Premium plan design
- The average deductible for the most generous plan ranges from \$300 to \$1,000 (excluding Texas, which is a copay plan) for individuals
- The average deductible for the least generous plan ranges from \$1,500 - \$2,100 (excluding Alabama, which only offers one plan) for individuals
- Most states offer a qualified high deductible plan option
 - Louisiana, Missouri, Oklahoma, Tennessee, and Texas offer HSA plans
 - Most states that offer a qualified HDHP provide a HSA seed
- Louisiana, Oklahoma, and Texas offer local HMO solutions

ASE – State and Employee Funding Benchmarks

- Reviewed healthcare benefits of 7 states surrounding Arkansas. States included are:
 - Alabama, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, Texas
- Mapped Arkansas employees to the closest matching plan option in alternative State
 - This assumes that enrollment distribution between plan, tier, and employment status is similar to Arkansas
- Relied upon the 2020 premiums and employee payroll contributions published on State websites for employee payroll contributions, total plan cost, and State subsidy
 - Actuarial judgement used when information was limited
- State of Arkansas 2020 premiums, employee payroll contributions and plan subsidy based on actual 2020 cost estimates
- Benchmarking results are primarily for directional purposes. Preliminary Findings:

Statistics	ASE (Rank) - Active
Employee Contributions	Rank: 7 of 8 (high employee contributions)
Estimated Plan Cost	Rank: 2 of 8 (low cost)
Plan / State Subsidy	Rank: 2 of 8 (low subsidization)

ASE – Benchmark Study (Active Employees) Estimated* Employee Contributions per Enrolled



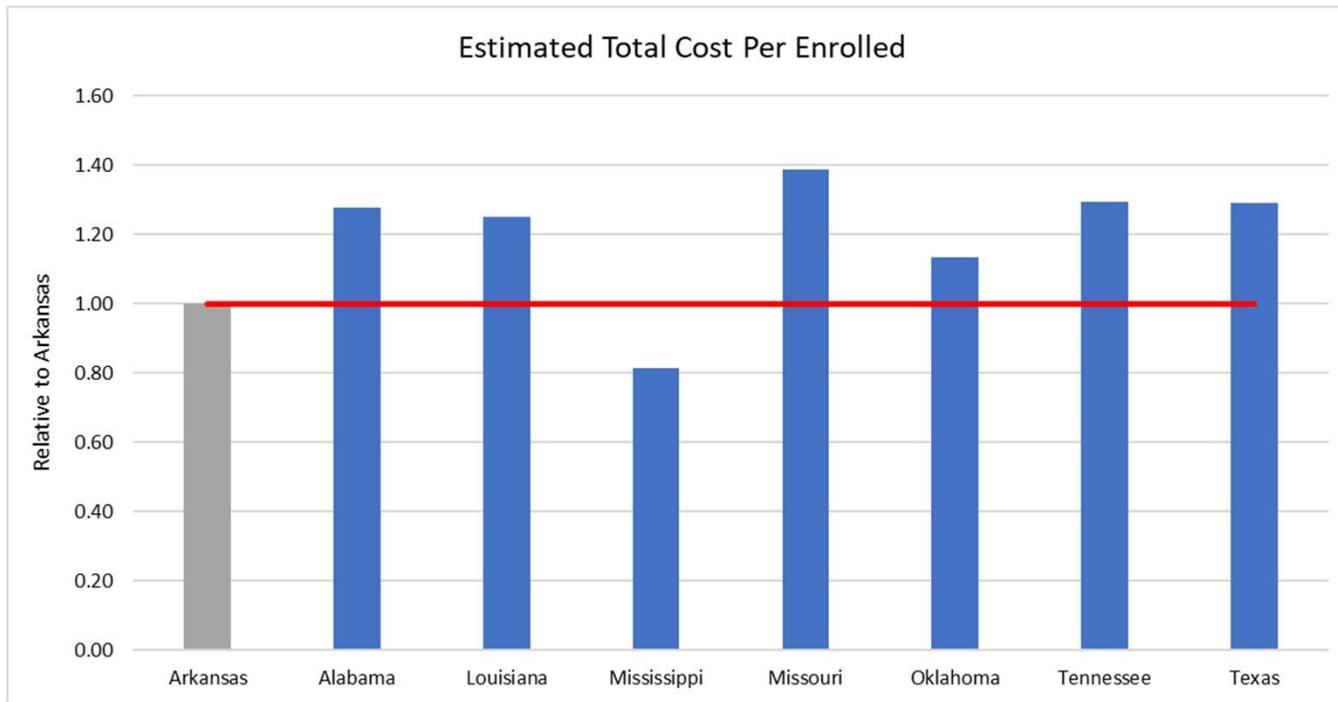
*See Assumptions and Methodology at the end of this report

◆ Arkansas employee payroll contribution ranks 7 (higher the rank, higher the employee contributions)

◆ A few states provide a fixed subsidy level by tier (e.g. MS, OK, TN, and TX)

ASE – Benchmark Study (Active Employees)

Estimated* Total Cost per Enrolled



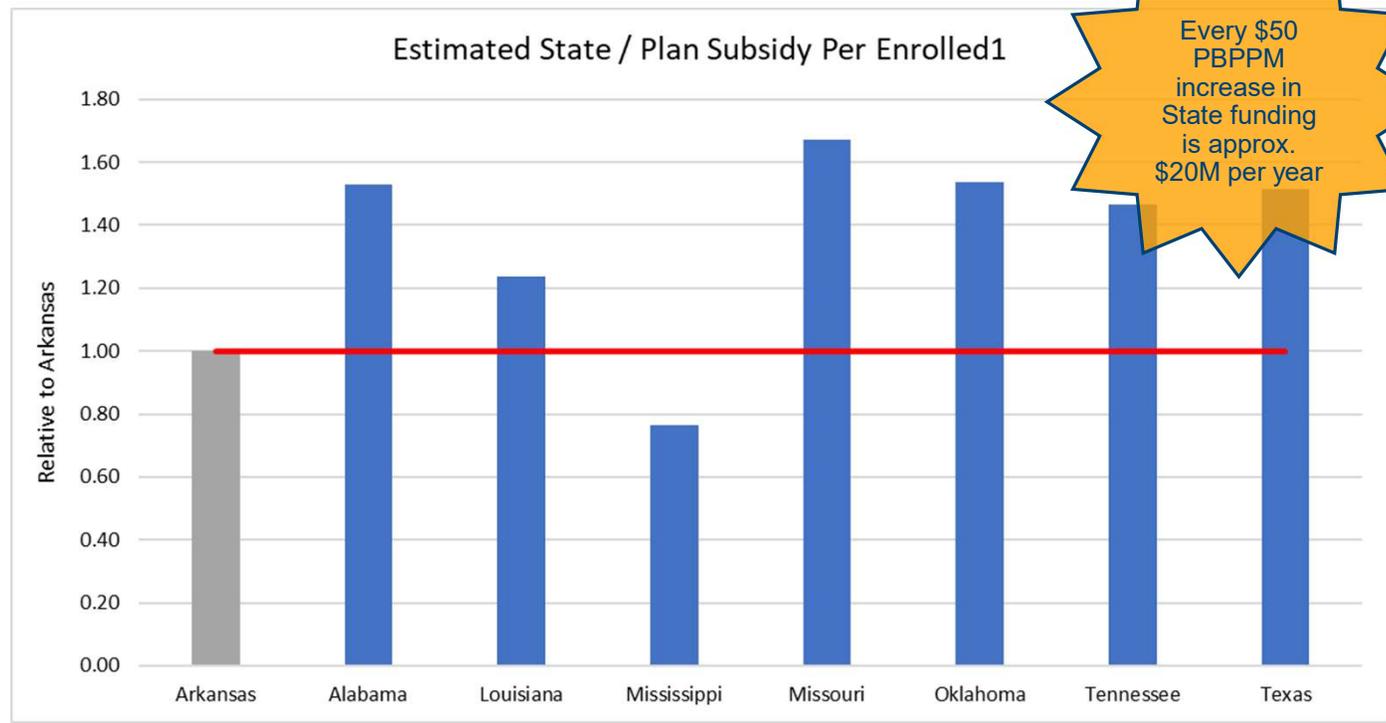
*See Assumptions and Methodology at the end of this report

◆Arkansas total plan cost ranks 2, just behind of Mississippi (higher the rank, higher the plan costs)

◆Arkansas low claim cost may be attributed to: cost of living, better plan management

ASE – Benchmark Study (Active Employees)

Estimated* State/Plan Subsidy



Every \$50 PBPPM increase in State funding is approx. \$20M per year

- ◆ Arkansas State / Plan Subsidy ranks 2 (lower the rank, lower the subsidy)
- ◆ Each year plan sponsors reassess their subsidy levels (typically increase subsidy annually to keep pace with healthcare inflation)
- ◆ Alabama expresses their subsidy similarly to Arkansas (i.e. FY2020: \$930 per active employee per month)
- ◆ Arkansas would need a subsidy of about \$690 per budgeted position per month (PBPPM) in 2020 to be approximately equivalent to Alabama (without reducing the number of budgeted positions)

1. Estimated State / Plan Subsidy = Average Premium Per Enrolled less Average Employee Payroll Contribution Per Enrolled
 *Also see Assumptions and Methodology at the end of this report

Benchmark – Medicare & Non-Medicare Eligible Retiree Coverage

- State of Arkansas Program
 - Offers benefits to Non-Medicare Eligible Retirees

State	Offer Coverage (NME)	Offer Med Coverage (ME)	Offer Rx Coverage (ME)	Comments
Arkansas	Yes	Yes	Yes*	PSE does not have Rx coverage
Alabama	Yes	Yes	Yes	Subsidy based on years of service
Louisiana	Yes	Yes	Yes	Subsidy based on years of service
Mississippi	Yes	Yes	No	Appears to be Access Only
Missouri	Yes	Yes	Yes	Subsidy based on years of service
Oklahoma	Yes	Yes	Yes	Appears to be a Stipend
Tennessee	Yes	Yes	No	Subsidy based on years of service (grandfathered benefit)
Texas	Yes	Yes	Yes	Subsidy based on years of service

* PSE does not offer pharmacy benefits to Medicare eligible retirees

Limitations

Courtney White and Paul Sakhrani are Members of the American Academy of Actuaries and Fellows of the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render actuarial 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, 2021, 2022 budgets, and the benefit benchmarking relied on historical ASE and PSE medical and pharmacy claims from ABCBS and MedImpact, respectively; funding and plan administration from EBD; historical ASE and PSE members by benefit plan, age/gender, and by month from EBD; 2019, 2020, and 2021 ASE and PSE benefit plan summaries from EBD; 2020 benefit summaries and rate sheets from other State benefit programs; 2020, 2021, and 2022 fees and administrative expenses from EBD; conversations with EBD regarding the program, and actuarial judgment.

While we reviewed the ABCBS, MedImpact, EBD, and other state 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. It is certain that actual experience will not conform exactly to the assumptions used in 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 also 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.

The terms of Milliman's Consulting Services Agreement as a subcontractor to Health Advantage, an affiliate of ABCBS, for the State of Arkansas dated October 29, 2019 apply to this email and its use.

This presentation has been provided for the internal use of the management of the State of Arkansas Employee Benefits Division for CY2022 benefit planning and setting the ASE and PSE budget for CY2020, CY2021, and CY2022. The information contained in this presentation is confidential and proprietary. This information may not be appropriate for other uses and should not be distributed to or relied on by any other parties without Milliman's prior written consent. We do not intend this information to benefit any third party even if we permit the distribution of our work product to such third party. If this analysis is distributed internally or to a third party, we request that it be distributed in its entirety.



Thank you

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

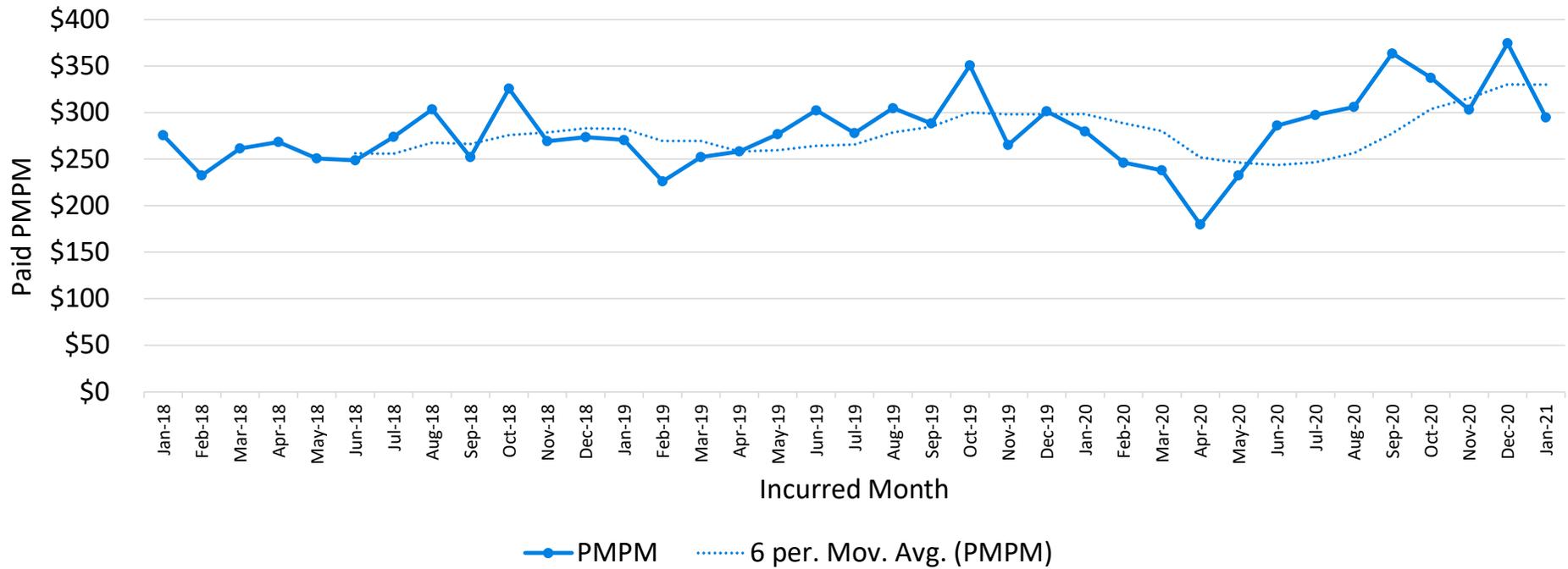
Appendices

Appendix

ASE Supporting Monthly Exhibits

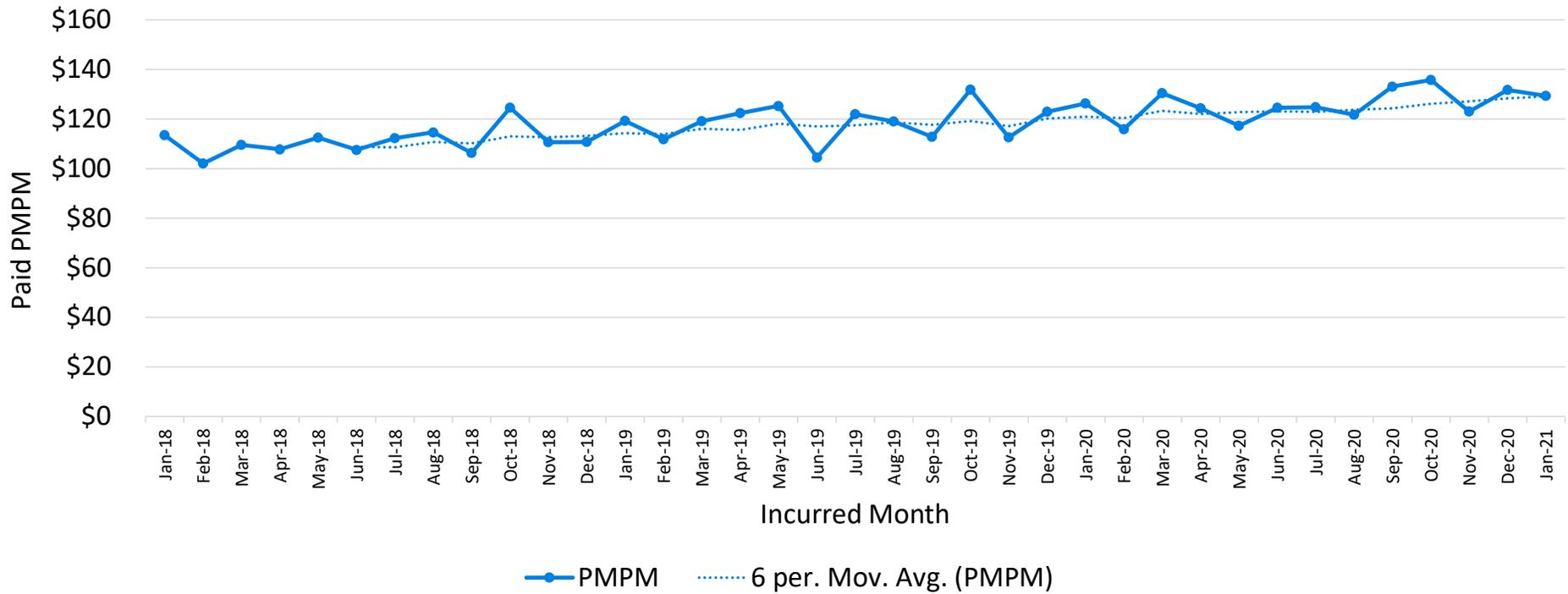
Monthly Trend - Medical

ASE - Medical Per Member Per Month (PMPM)

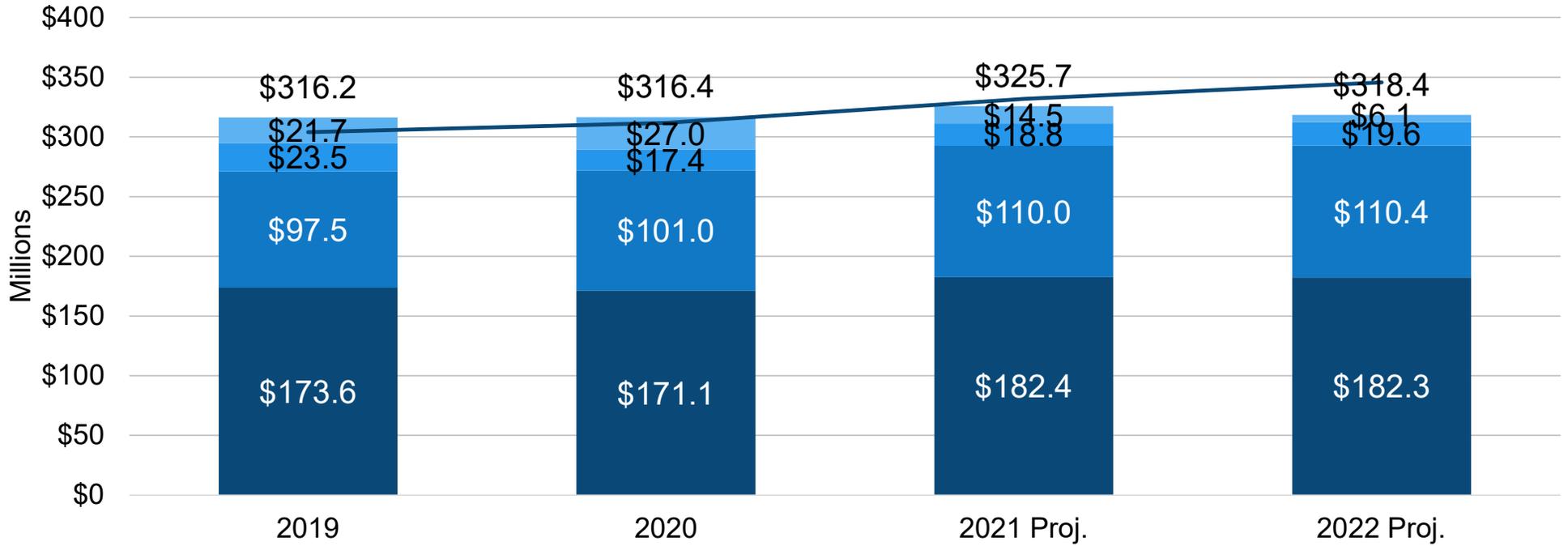


Monthly Trend - Pharmacy

ASE - Pharmacy Per Member Per Month (PMPM)



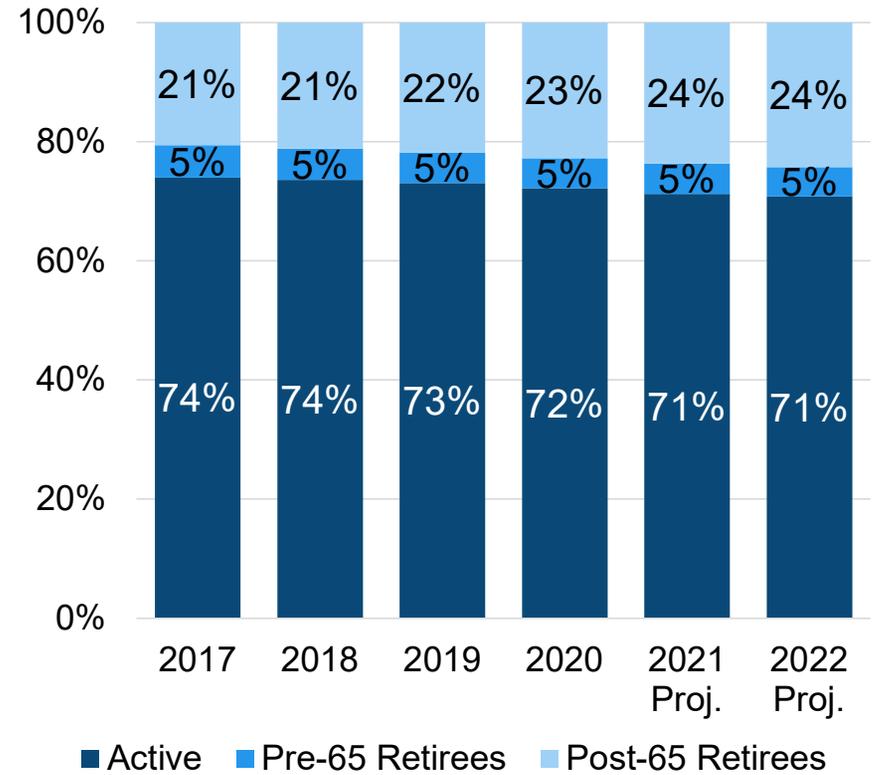
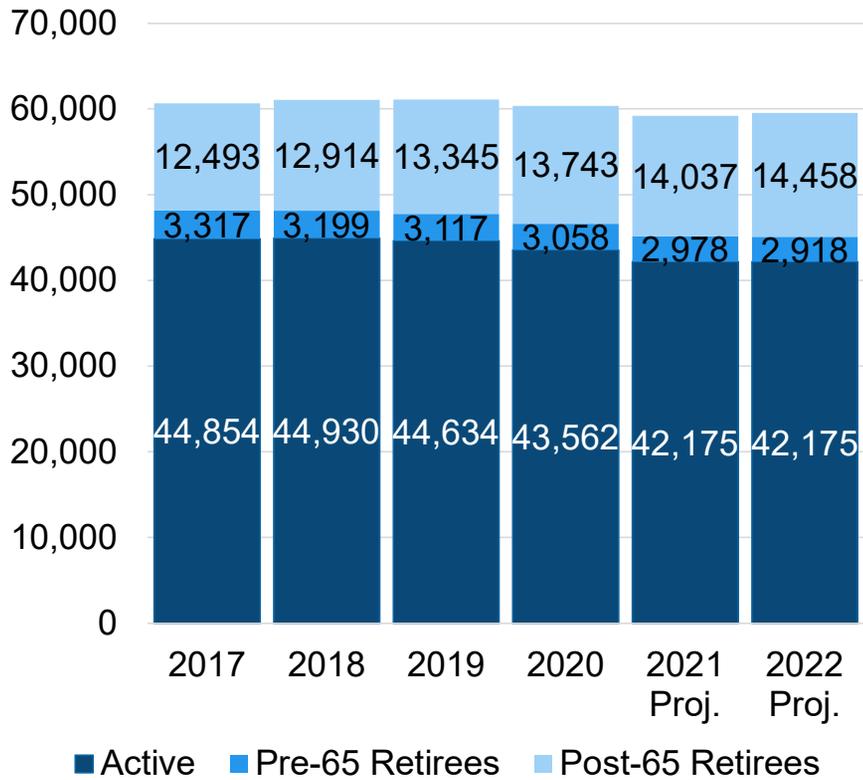
ASE - Income vs. Expenditure



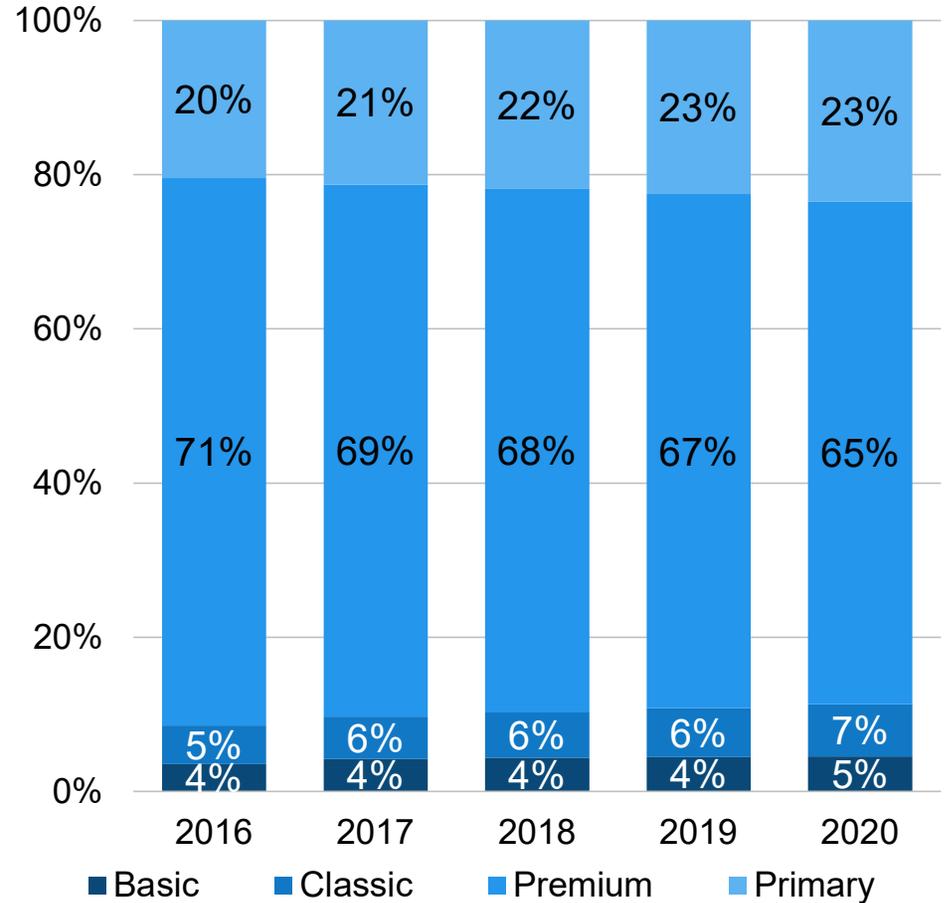
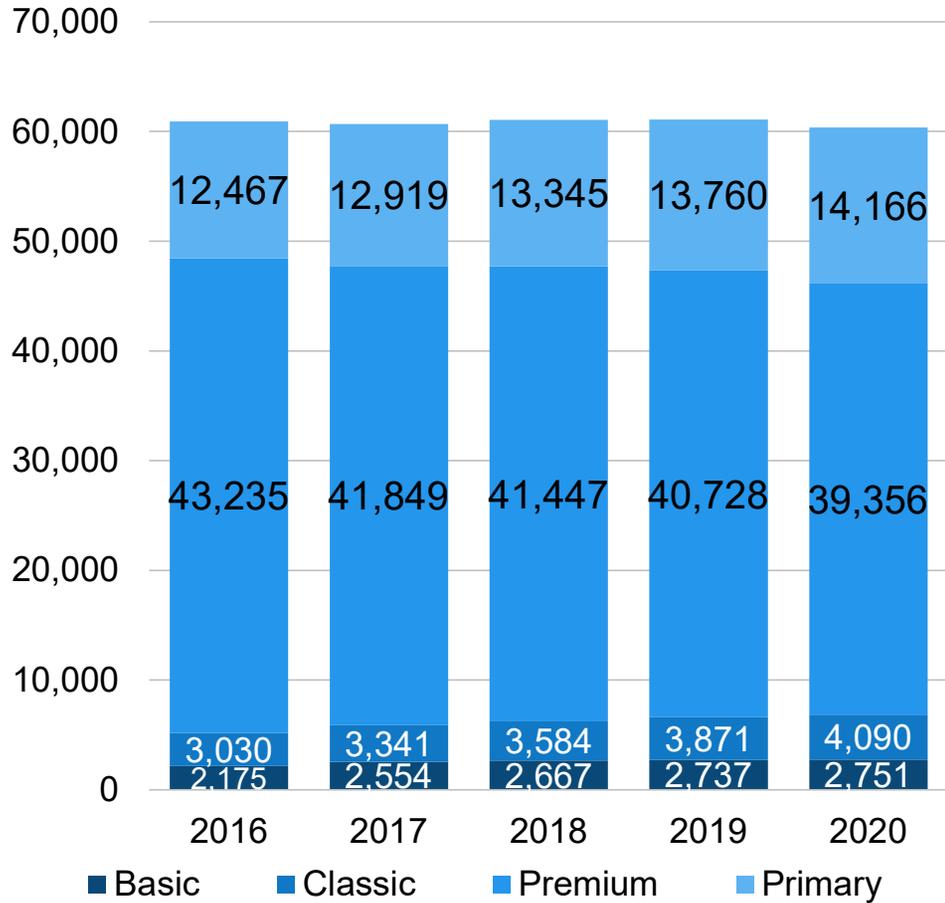
■ State Contribution
 ■ Employee Contribution
 ■ Other Income
 ■ Allocation of Prior Years' Surplus
 — Total Expenses*

* Total Expenses offset by Program Savings

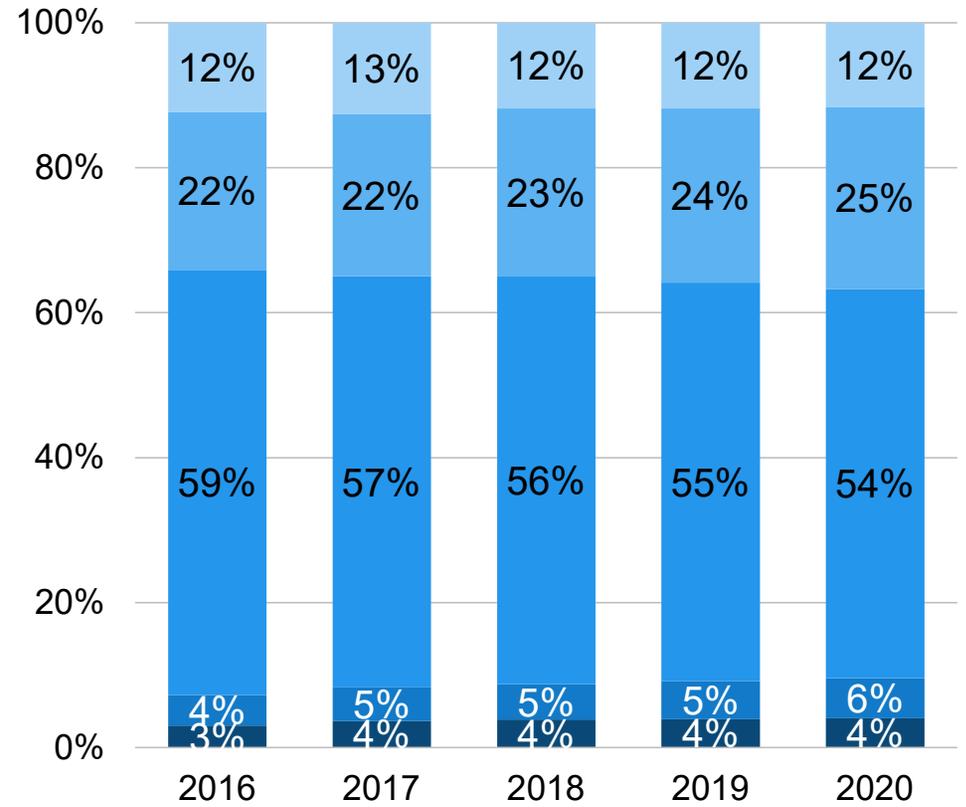
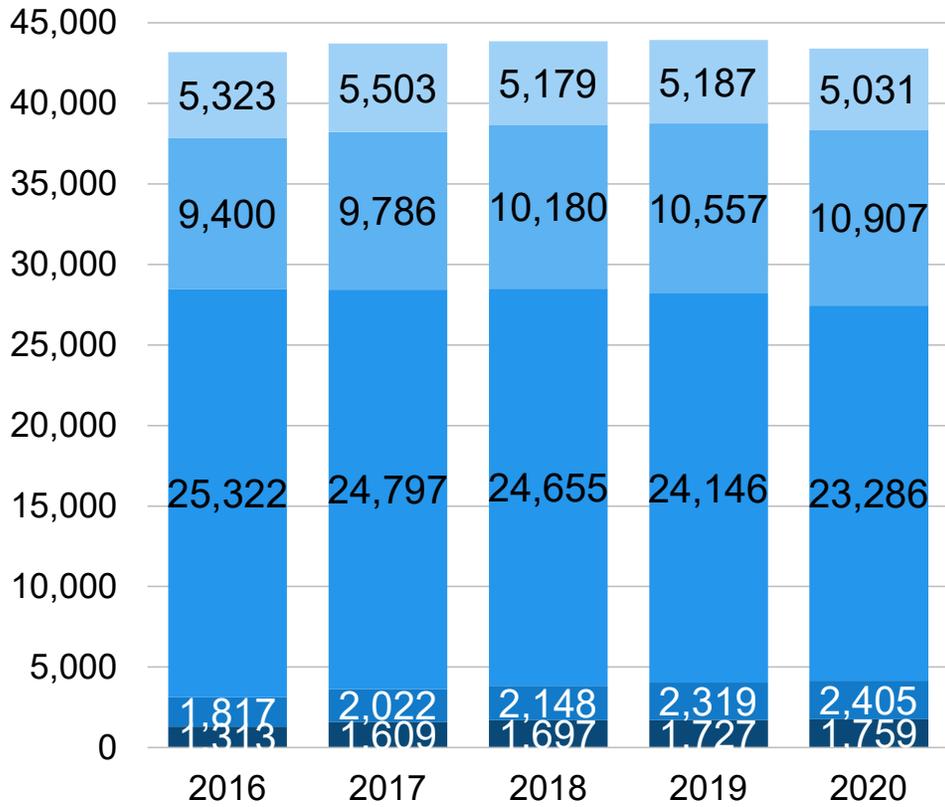
ASE - Average Membership by Status



ASE - Average Membership by Plan



ASE - Average Enrollment (Subscribers) by Plan



■ Basic ■ Classic ■ Premium ■ Primary ■ Waived

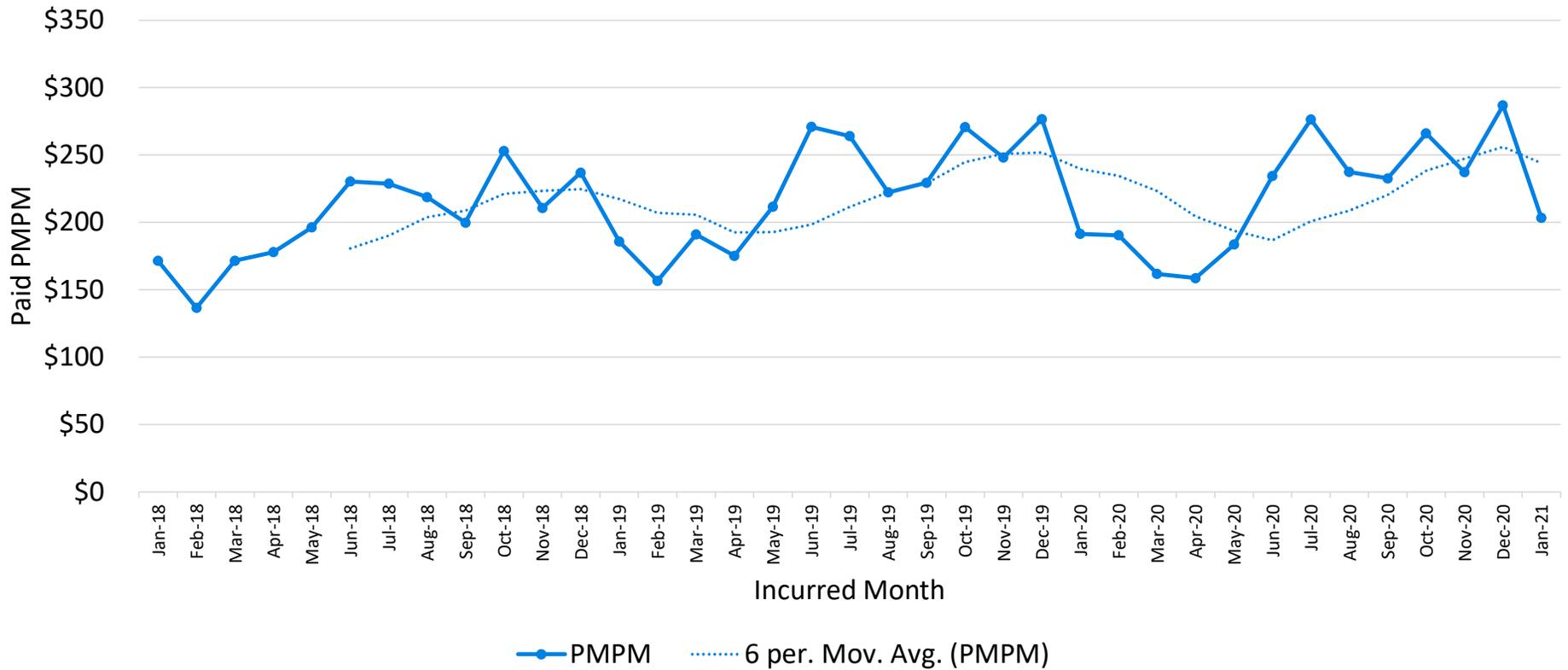
■ Basic ■ Classic ■ Premium ■ Primary ■ Waived

Appendix

PSE Supporting Monthly Exhibits

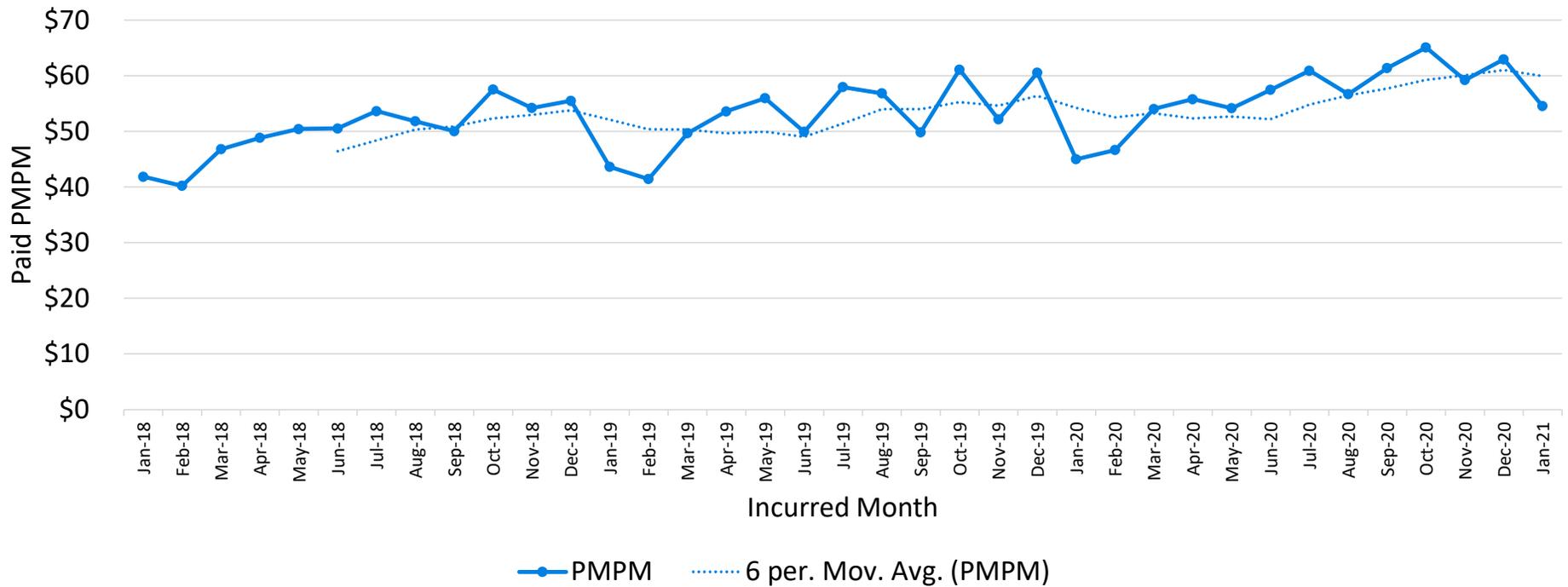
Monthly Trend - Medical

PSE - Medical Per Member Per Month (PMPM)

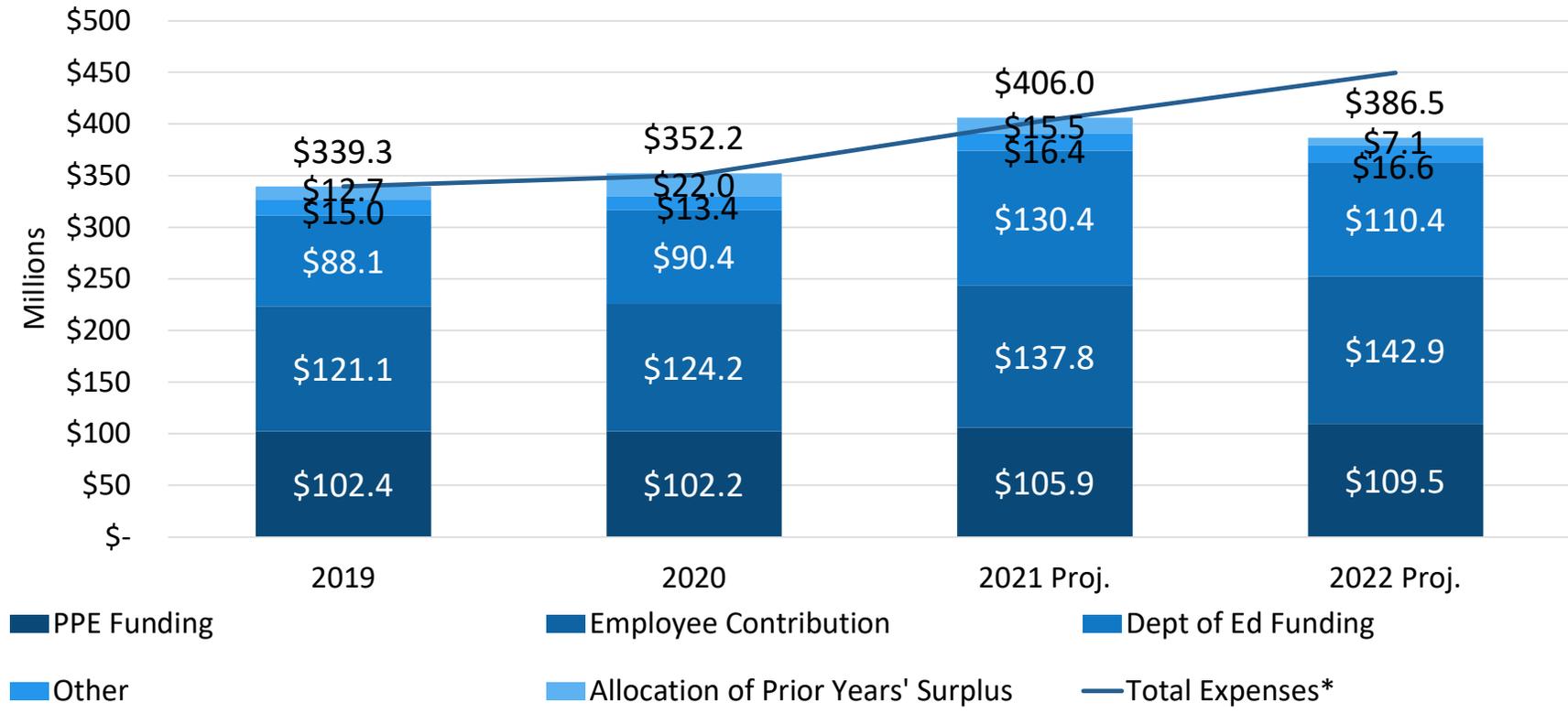


Monthly Trend - Pharmacy

PSE - Pharmacy Per Member Per Month (PMPM)

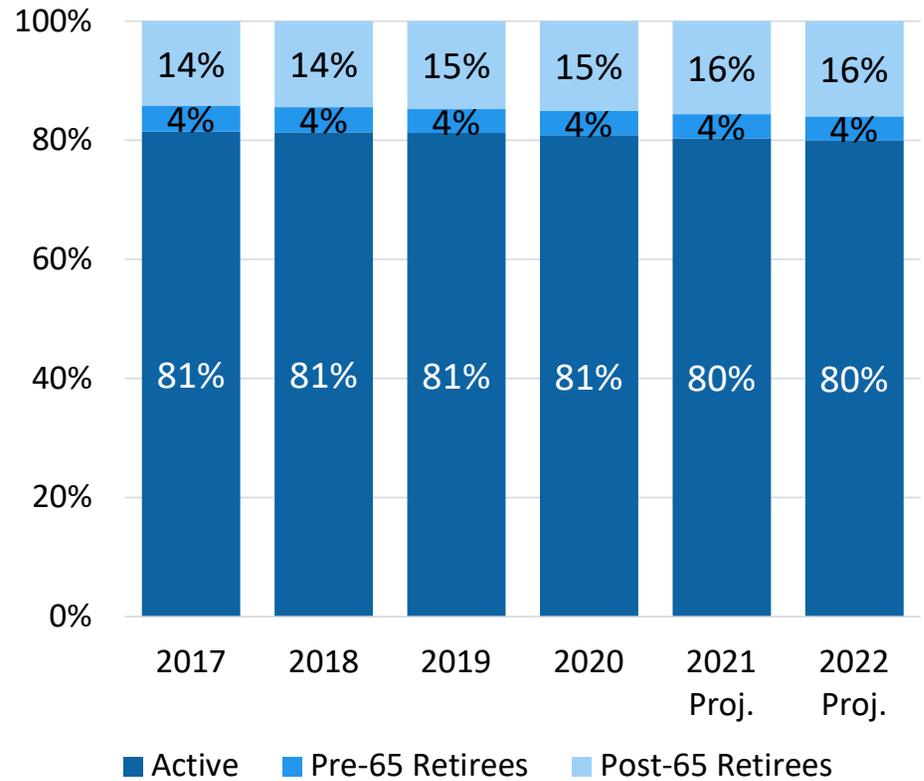
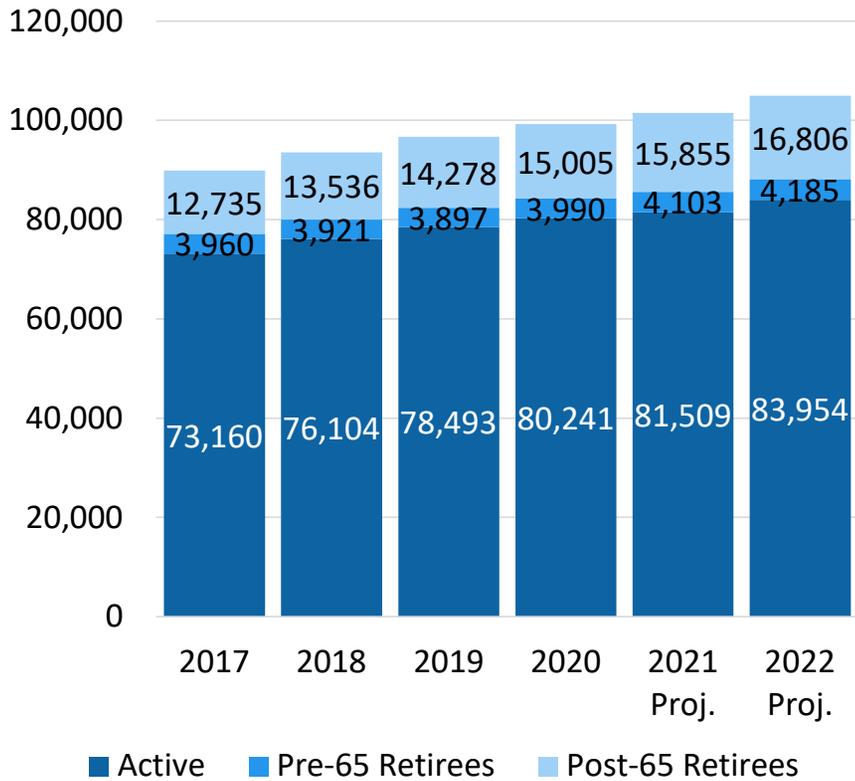


PSE - Income vs. Expenditure

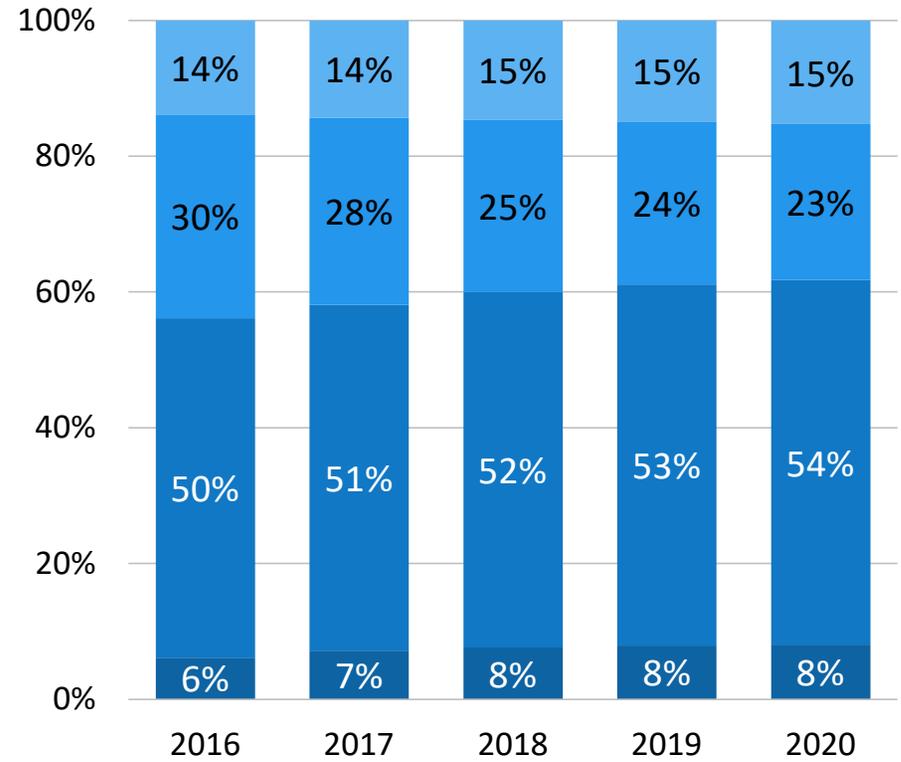
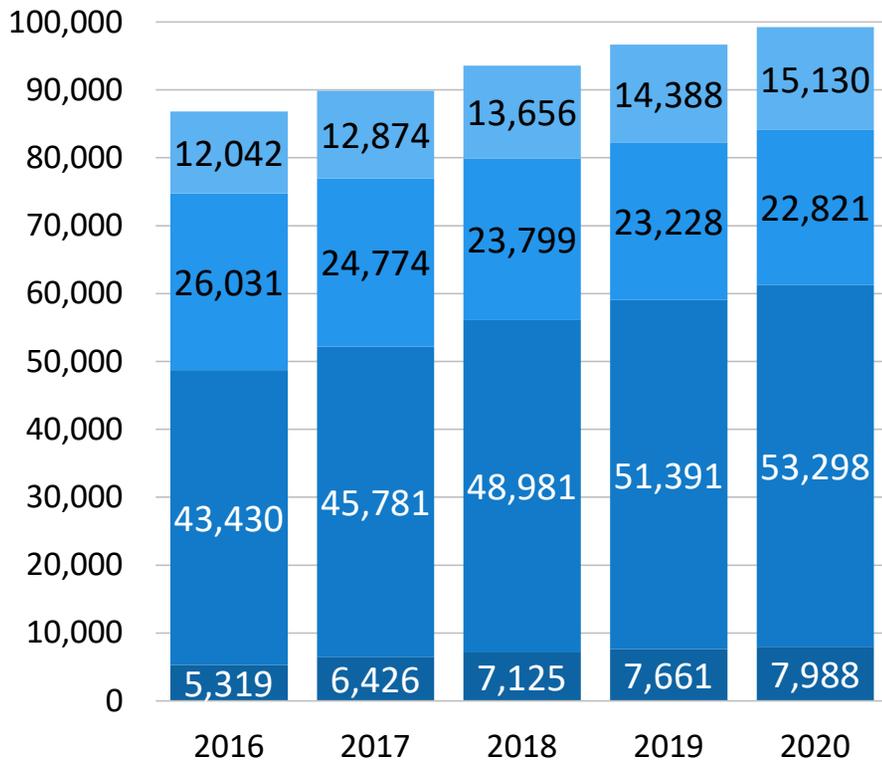


* Total Expenses offset by Program Savings

PSE - Average Membership by Status



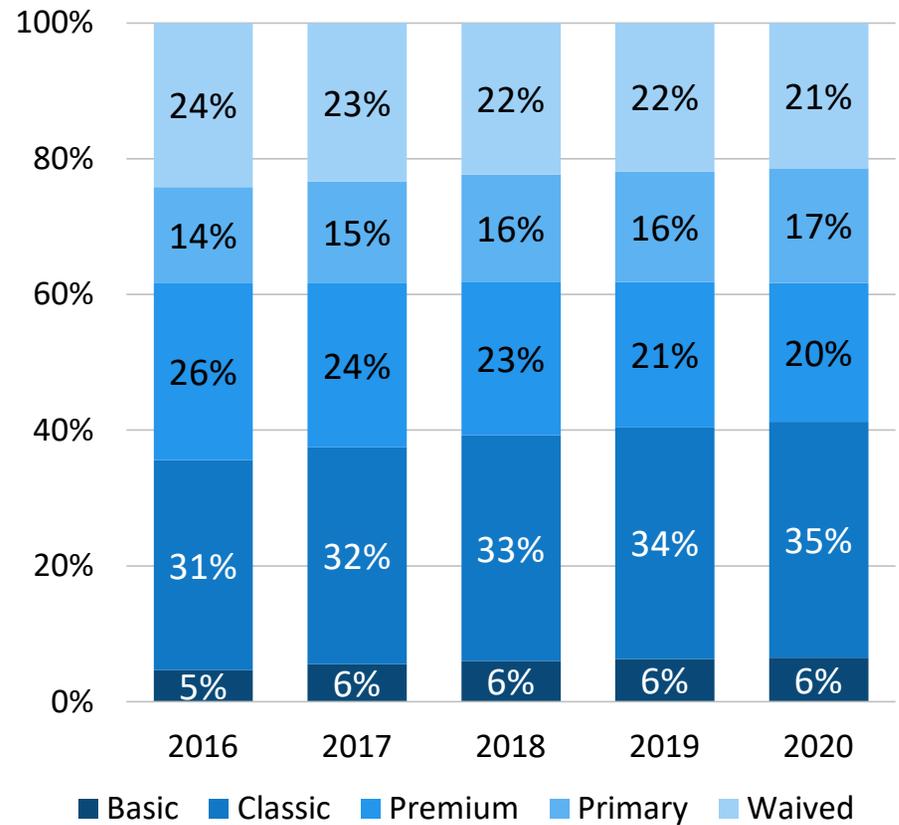
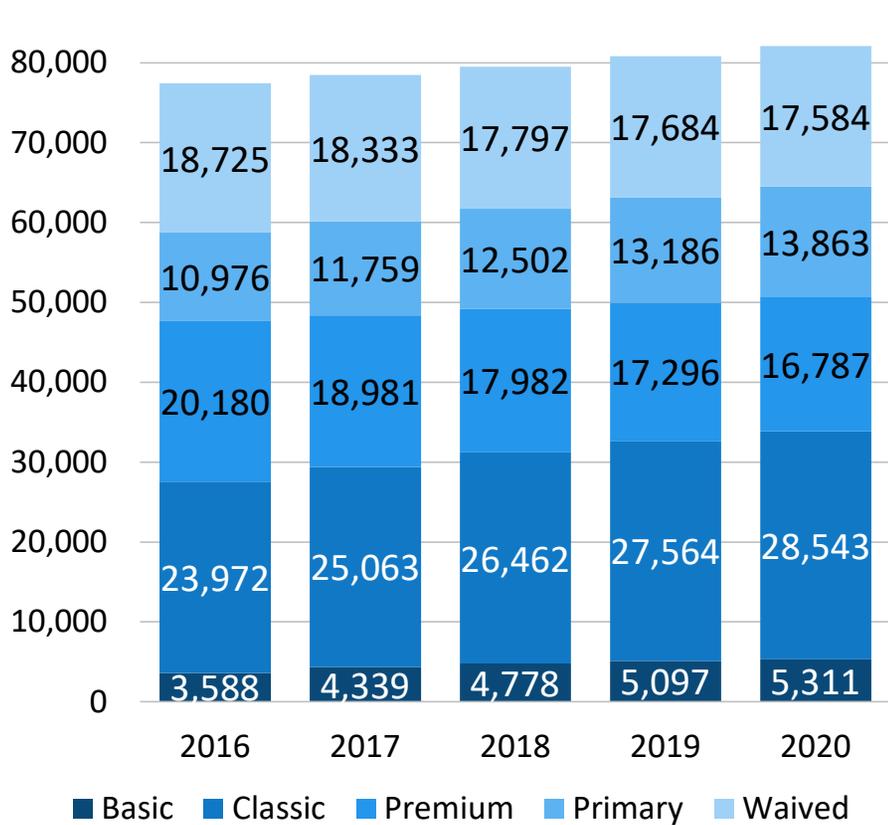
PSE - Average Membership by Plan



■ Basic ■ Classic ■ Premium ■ Primary

■ Basic ■ Classic ■ Premium ■ Primary

PSE - Average Enrollment (Subscribers) by Plan



Appendix

Monthly Reporting - Assumptions & Methodology

Assumptions & Methodology

Assumptions - Trend

Division	Group	Medical Trend	Pharmacy Trend
ASE	Active/Pre-65 Retirees	5.0%	8.0%
	Post-65 Retirees	5.0%	8.0%
PSE	Active/Pre-65 Retirees	7.0%	8.0%
	Post-65 Retirees	7.0%	8.0%

Assumptions & Methodology

Assumptions – Benefit Plan Changes (2020 to 2022)

- 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 March 2019 through March 2021
 - Projected April 2021 – December 2022 based on historical patterns
- Program Savings
 - Estimated remaining 2021 program savings of \$5.3 million for ASE and \$3.9 million for PSE
 - Estimated remaining 2022 program savings of \$5.4 million for ASE and \$4.0 million for PSE
 - Program savings offset as initiatives are reflected in the claims experience and projected pharmacy claims cost
- Plan Administration Expense
 - ASE - \$2.17 PMPM for CY 2021 (\$2.16 PMPM for CY 2022); UAMS shifted to Administration Fees PMPM
 - PSE - \$1.47 PMPM for CY 2021 (\$1.47 PMPM for CY 2022); UAMS shifted to Administration Fees PMPM
- Administration Fees include PCORI charges for 2021 and 2022
- Percentage of Population earning wellness incentive
 - ASE – 76.4%
 - PSE – 79.2%
- Minimum District Funding: \$161.87 in 2020 and \$164.66 in 2021 and 2022

Assumptions & Methodology

Methodology

1. Summarized fee-for service (FFS) medical claims incurred from March 1, 2019 to February 29, 2020 and paid March 1, 2019 to March 31, 2021. Medical claims are gross of withholds. Reports reflects the timing of when EBD is expected to pay the withhold.
2. Summarized fee-for-service (FFS) pharmacy claims incurred from February 1, 2020 to January 31, 2021 and paid from February 1, 2020 to March 31, 2021.
3. Converted the paid and incurred claims to incurred claims using completion factors. This incorporates the incurred but not reported (IBNR) claim reserve.
4. Summarized member months for March 2019 to February 2020 (medical) and February 2020 to January 2021 (pharmacy).
5. Divided the summarized incurred claims by the appropriate member months to calculate PMPMs.
6. For 2020, utilized actual claims for January 2020 to December 2020.
7. For 2021, utilized actual claims for January 2021 and projected February – December 2021.
8. 2021 and 2022 projected the incurred claims PMPM from the midpoint of the experience period (September 1, 2019 for medical / August 1, 2020 for pharmacy) to the midpoint of the contract period (July 1, 2021 and July 1, 2022, respectively).
9. Made adjustments for seasonality, benefit changes, and age/gender mix.
10. Accounted for rating period fees and administrative expenses.
11. Where applicable, converted incurred budget to paid budget based on historical payment patterns.

Appendix

CY2022 Other Benefit Considerations

ASE – Elimination of Basic Plan

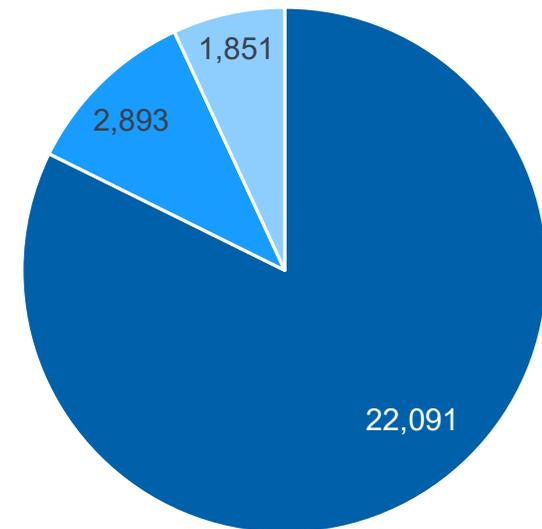
Background

- Actives and Non-Medicare Retirees currently have access to 3 medical plans
 - Premium (most rich), Classic, Basic (most lean)
 - Both Classic and Basic qualify as High Deductible Health Plans (HDHP) and qualify for employer HSA contributions of \$25/\$50 per month for individuals/families
 - Currently, Employee Only coverage has a \$0 employee premium contribution (~1,000 employees)
 - ~1,850 employees and retirees will need to elect either the Premium or Classic plan if they want to remain under EBD's group
 - Members will see a deductible ↓ from \$6,450 to \$2,500

Monthly Contributions

- Employee Only contributions will increase by \$78 minimum
- Family contributions will increase by \$165 minimum

Employees by Plan (Proj 2022)



■ Premium ■ Classic ■ Basic

Bottom Line: Estimated annual financial impact to EBD is cost neutral

PSE – Elimination of Basic Plan

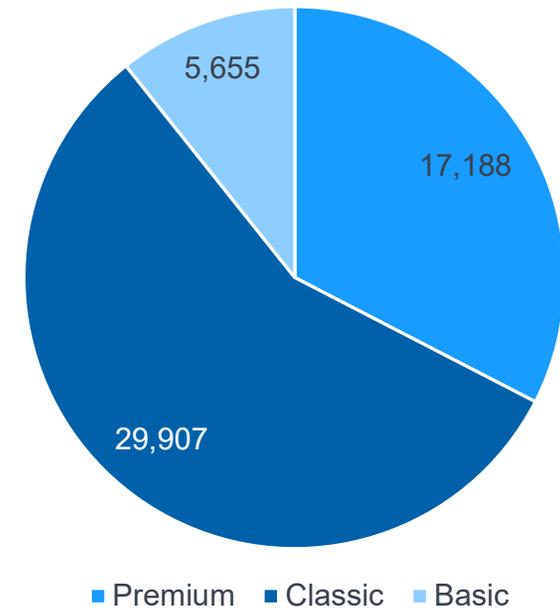
Background

- Actives and Non-Medicare Retirees currently have access to 3 medical plans
 - Premium (most rich), Classic, Basic (most lean)
 - Both Classic and Basic quality as High Deductible Health Plans (HDHP)
 - ~5,650 employees and retirees will need to elect either the Premium or Classic plan if they want to remain under EBD's group
 - Members will see a deductible ↓ from \$4,000 to \$1,750

Monthly Contributions

- Employee Only contributions will increase by \$35 minimum
- Family contributions will increase by \$83 minimum

Employees by Plan (Proj 2022)



Bottom Line: Estimated annual financial impact to EBD will be \$1.1 Million in additional employer cost

ASE – Post-65 Retiree Coordination of Benefits (CoB)

Background

- Arkansas provides Post-65 retirees with medical and pharmacy benefit coverage
- Approximately 11,300 retirees are currently enrolled in the benefit
- Arkansas' Post-65 coverage coordinates with Medicare with Medicare being primary and Arkansas being secondary for medical services. There is no coordination for pharmacy.
- Currently, the Arkansas benefit program covers the Medicare deductible, inpatient/SNF copayment, and Part B deductible/coinsurance. Services not covered by Medicare are subject to Premium plan provisions.
- Arkansas could change the coordination of benefits such that the member would be subject to the Premium plan provisions on the Medicare deductible, inpatient/SNF copayment, and Part B deductible/coinsurance.

Bottom Line: Estimated program savings from changing the coordination of benefits process is \$9.3M. This is a benefit change that increases the retiree out-of-pocket costs.

PSE – Post-65 Retiree Coordination of Benefits (CoB)

Background

- Arkansas provides Post-65 retirees with medical benefit coverage
- Approximately 15,500 retirees are currently enrolled in the benefit
- Arkansas' Post-65 coverage coordinates with Medicare with Medicare being primary and Arkansas being secondary for medical services. There is no coordination for pharmacy.
- Currently, the Arkansas benefit program covers the Medicare deductible, inpatient/SNF copayment, and Part B deductible/coinsurance. Services not covered by Medicare are subject to Premium plan provisions.
- Arkansas could change the coordination of benefits such that the member would be subject to the Premium plan provisions on the Medicare deductible, inpatient/SNF copayment, and Part B deductible/coinsurance.

Bottom Line: Estimated program savings from changing the coordination of benefits process is \$11.0M. This is a benefit change that increases the retiree out-of-pocket costs.

Appendix

% of Medicare Repricer

Assumptions & Methodology – % of Medicare Repricer

Percent of Medicare Comparisons

- The State of Arkansas ASE and PSE and IBM MarketScan® data commercial claim data was repriced using the *Milliman Medicare Repricer*. The following considerations apply to the results:
 - Data Quality
 - ASE/PSE data quality – the Milliman Medicare Repricer excludes claim records that have omissions or irregularities that impact the ability to accurately derive a Medicare price. Note that these issues do not mean that there is an error in the claim records but only that the Milliman's Repricing Tool did not assign a repriced amount. The Milliman Repricing Tool assigned a repriced amount for about 67% of billed charges. Some of the top exclusion reasons were as follows:
 - Invalid Medicare ID
 - Medicare Allowed Not Available
 - Low Billed Amount
 - Allowed Amount Higher than Billed Amount
 - Missing a HCPCS/CPT procedure code
 - Invalid Units

Assumptions & Methodology – % of Medicare Repricer - Continued

- IBM MarketScan® data is comprised of multiple contributors. Certain service categories are excluded for some contributors based on a review of the contributor coding by service category.
- Examples include:
 - Inpatient claims for contributors where the diagnosis (ICD-10) coding was not complete enough for Diagnosis Related Group (DRG) assignment.
 - Hospital and office injectable drugs claims where the unit coding was not sufficient to accurately reprice the results.
 - Professional results for a subset of contributors where HCPCS and Modifier were not reliably populated.
 - Inpatient maternity claims where the contract IDs were not populated consistently enough to reliably match delivery claims with baby claims.

Assumptions & Methodology – % of Medicare Repricer - Continued

Outlined below are the limitations of the *Milliman Medicare Repricer*:

- All repriced amounts reflect prospective amounts and do not reflect any settlements with the Centers for Medicare and Medicaid Services (CMS).
- No adjustments are made for sequestration.
- Repriced amounts are based on information released at the beginning of each year (Federal fiscal year for inpatient and calendar year for other types of services).
- No adjustment is made for providers that participate in Medicare's Bundled Payment for Care Improvement (BPCI) initiative.

Appendix

Benchmarking – Plan Design Comparison

Plan Design

	Premium		Classic		Basic	
	ASE	PSE	ASE	PSE	ASE	PSE
Individual / Family Deductible	\$500 / \$1,000	\$750 / \$1,500	\$2,500 / \$5,000	\$1,750 / \$2,850	\$6,450 / \$12,900	\$4,000 / \$8,000
Individual / Family MOOP ¹	\$3,000 / \$6,000	\$3,250 / \$6,500	\$6,450 / \$12,900	\$6,450 / \$9,675	\$6,450 / \$12,900	\$6,450 / \$12,900
Primary Care Physician / Specialist	\$25 / \$50	\$25 / \$50	20% after ded.	20% after ded.	0% after ded.	20% after ded.
ER	\$250	\$250	20% after ded.	20% after ded.	0% after ded.	20% after ded.
Inpatient	20% after ded.	20% after ded.	20% after ded.	20% after ded.	0% after ded.	20% after ded.
Outpatient	20% after ded.	20% after ded.	20% after ded.	20% after ded.	0% after ded.	20% after ded.
Generic Drug	\$15	\$15	20% after ded.	20% after ded.	0% after ded.	20% after ded.
Preferred Brand Drug	\$40	\$40	20% after ded.	20% after ded.	0% after ded.	20% after ded.
Non-Preferred Brand Drug	\$80	\$80	20% after ded.	20% after ded.	0% after ded.	20% after ded.
Specialty Drug	\$100	\$100	20% after ded.	20% after ded.	0% after ded.	20% after ded.
Actuarial Value (AV)	85.3%	84.3%	75.5%	74.4%	70.0%	68.2%
Proj. 2022 Enrollment ²	22,091	17,188	2,893	29,907	1,851	5,655



¹ Separate out-of-pocket maximum for pharmacy on Premium plan
² Represents Active and Pre-65 Retiree projected 2022 enrollment

Plan Design – Alabama

	BlueCard PPO
Individual / Family Deductible	\$300 / \$900
Individual / Family MOOP	\$8,150 / \$16,300
Primary Care Physician / Specialist	\$35
ER	\$150
Inpatient	\$200 per admin + \$25 per day for days 2-5
Outpatient	\$150
Generic Drug	\$10
Preferred Brand Drug	20% (min 40, max 80)
Non-Preferred Brand Drug	50% up to \$150
Specialty Drug	\$150

Plan Design – Louisiana

	Magnolia Open Access	Magnolia Local Plus	Magnolia Local	Pelican HRA 1000 ¹	Pelican HSA 775 ²
Individual / Family Deductible	\$900 / \$2,700	\$400 / \$1,200	\$400 / \$1,200	\$2,000 / \$4,000	\$2,000 / \$4,000
Individual / Family MOOP	\$3,500 / \$8,500	\$3,500 / \$8,500	\$2,500 / \$7,500	\$5,000 / \$10,000	\$5,000 / \$10,000
Primary Care Physician / Specialist	10% after ded.	\$25 / \$50	\$25 / \$50	20% after ded.	20% after ded.
ER	\$150 + 10% after ded.	\$200	\$150	20% after ded.	20% after ded.
Inpatient	10% after ded.	\$100 per day	\$100 per day	20% after ded.	20% after ded.
Outpatient	10% after ded.	\$100	\$100	20% after ded.	20% after ded.
Generic Drug	50% up to \$30	50% up to \$30	50% up to \$30	50% up to \$30	\$10 after ded.
Preferred Brand Drug	50% up to \$55	50% up to \$55	50% up to \$55	50% up to \$55	\$25 after ded.
Non-Preferred Brand Drug	65% up to \$80	65% up to \$80	65% up to \$80	65% up to \$80	\$50 after ded.
Specialty Drug	50% up to \$80	50% up to \$80	50% up to \$80	50% up to \$80	\$50 after ded.

1.State contributes \$1,000 into HRA.

2.State contributions up to \$775 into HSA

3.Additional local HMOs are available

Plan Design – Mississippi

	Select	Base
Individual / Family Deductible	\$1,000 / \$2,000	\$1,800 / \$3,000
Individual / Family MOOP	\$6,500 / \$13,000	\$6,500 / \$13,000
Primary Care Physician / Specialist	\$25 / 20%	\$10 / 20%
ER	\$50 first visit 200 + 20% after first visit	\$50 first visit 200 + 20% after first visit
Inpatient	20% after ded.	20% after ded.
Outpatient	20% after ded.	20% after ded.
Generic Drug	\$12	\$12
Preferred Brand Drug	\$45	\$45
Non-Preferred Brand Drug	\$100	\$100
Specialty Drug	\$100	\$100

Plan Design – Missouri

	PPO 750	PPO 1250	HSA
Individual / Family Deductible	\$750 / \$1,500	\$1,250 / \$2,500	\$1,650 / \$3,300
Individual / Family MOOP	\$2,250 / \$4,500	\$3,750 / \$7,500	\$4,950 / \$9,900
Primary Care Physician / Specialist	20% after ded.	\$25 / \$40	20% after ded.
ER	\$250 + 20% after ded.	\$250 + 20% after ded.	20% after ded.
Inpatient	\$200 + 20% after ded.	\$200 + 20% after ded.	20% after ded.
Outpatient	20% after ded.	20% after ded.	20% after ded.
Generic Drug	\$10	\$10	10% up to \$50 after ded.
Preferred Brand Drug	\$40	\$40	30% up to \$100 after ded.
Non-Preferred Brand Drug	\$100	\$100	40% up to \$200 after ded.
Specialty Drug	\$75	\$75	

1. Separate out-of-pocket maximum for pharmacy on PPO plans

2. State will contribute up to \$600 into HSA

Plan Design – Oklahoma

	HealthChoice High	HealthChoice Basic	HealthChoice HDHP
Individual / Family Deductible ¹	\$750 / \$2,000	\$1,000 / \$1,500	\$1,750 / \$3,500
Individual / Family MOOP	\$3,300 / \$8,400	\$4,000 / \$9,000	\$6,000 / \$12,000
Primary Care Physician / Specialist	\$30 / \$50	50% after ded.	\$30 / \$50 after ded.
ER	\$200 + 20%	50% after ded.	\$200 + 20% after ded.
Inpatient	20% after ded.	50% after ded.	20% after ded.
Outpatient	20% after ded.	50% after ded.	20% after ded.
Generic Drug	\$10	\$10	\$10 after ded.
Preferred Brand Drug	\$45	\$45	\$45 after ded.
Non-Preferred Brand Drug	\$75	\$75	\$75 after ded.
Specialty Drug	\$10 / \$100 / \$200	\$10 / \$100 / \$200	\$10 / \$100 / \$200 after ded.

1. Basic Plan has \$500 first dollar coverage paid by plan. Amount shown is after first dollar coverage.

2. Additional local HMOs and Alternative plans are available

3. Basic and High plan have a separate pharmacy deductible before copay applies

Plan Design – Tennessee

	Premier PPO	Standard PPO	CDHP / HSA
Individual / Family Deductible	\$500 / \$1,250	\$1,000 / \$2,500	\$1,500 / \$3,000
Individual / Family MOOP	\$3,600 / \$9,000	\$4,000 / \$10,000	\$2,500 / \$5,000
Primary Care Physician / Specialist	\$25 / \$45	\$30 / \$50	20% after ded.
ER	\$150	\$175	20% after ded.
Inpatient	10% after ded.	20% after ded.	20% after ded.
Outpatient	10% after ded.	20% after ded.	20% after ded.
Generic Drug	\$7	\$14	20% after ded.
Preferred Brand Drug	\$40	\$50	20% after ded.
Non-Preferred Brand Drug	\$90	\$100	20% after ded.
Specialty Drug	10% (min \$50, max \$100)	10% (min \$50, max \$100)	20% after ded.

1.State contributes up to \$500 into HSA

Plan Design – Texas

	HealthSelect of Texas	Consumer Direct HealthSelect
Individual / Family Deductible	\$0 / \$0	\$2,100 / \$4,200
Individual / Family MOOP	\$6,750 / \$13,500	\$6,750 / \$13,500
Primary Care Physician / Specialist	\$25 / \$40	20% after ded.
ER	\$150 + 20%	20% after ded.
Inpatient	\$150 per day (max \$750) + 20%	20% after ded.
Outpatient	\$100 + 20%	20% after ded.
Generic Drug	\$10	20% after ded.
Preferred Brand Drug	\$35	20% after ded.
Non-Preferred Brand Drug	\$60	20% after ded.
Specialty Drug	\$35 / \$60	20% after ded.

1. Additional local HMOs plans are available

2. State will contribute up to \$1,080 into HSA for the Consumer Direct HealthSelect Plan

3. HealthSelect of Texas plan has a pharmacy deductible

Benchmarking - Assumptions & Methodology

- Reviewed healthcare benefits of 7 states surrounding Arkansas. States included are:
 - Alabama, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, Texas
- Mapped Arkansas employees to the closest matching plan option in alternative State
 - This assumes that enrollment distribution between plan, tier, and employment status is similar to Arkansas
- Relied upon the 2020 premiums and employee payroll contributions published on State websites for employee payroll contributions, total plan cost, and State subsidy
 - Actuarial judgement used when information was limited
 - Some Plans appear that the active & pre-65 retirees were underwritten together and have the same total premium rate
 - Blended child + child(ren) rate when applicable
- State of Arkansas 2020 premiums, employee payroll contributions and plan subsidy based on actual 2020 cost estimates
 - 2020 Plan Subsidy includes funding from the State agencies, reserves, and other revenue
- Compared healthcare benefits of each state using Arkansas as a 1.00 basis
 - For example, 1.10 indicates a 10% increase
- Alabama
 - Alabama subsidy is \$930 per active employee (assumed this was per active enrolled)
 - Relied upon subsidy use case to estimate total premium
 - Assume all spouses get spousal waiver credit
 - All employees who currently get wellness credit would still get wellness credit

Benchmarking - Assumptions & Methodology

- Louisiana
 - Assumed employees who earn the wellness credit would continue to earn the \$10 credit
- Mississippi
 - Based on Horizon rates (hired after 2006)
- Missouri
 - Employees earning wellness credit would get the partnership rate
 - Employees who do not earn wellness credit would get the standard rate without tobacco incentives
- Oklahoma
 - Employees who do not earn wellness credit would enroll in the HDHP
 - Employees earn a benefit allowance. Assume the benefit allowance goes entirely towards medical, however, the employee contributions would not go below zero
- Tennessee
 - Assume employees select BCBST as its vendor
- Texas
 - Employees earning wellness credit would receive the tobacco free rate, whereas employees not earning the wellness credit will have a tobacco surcharge

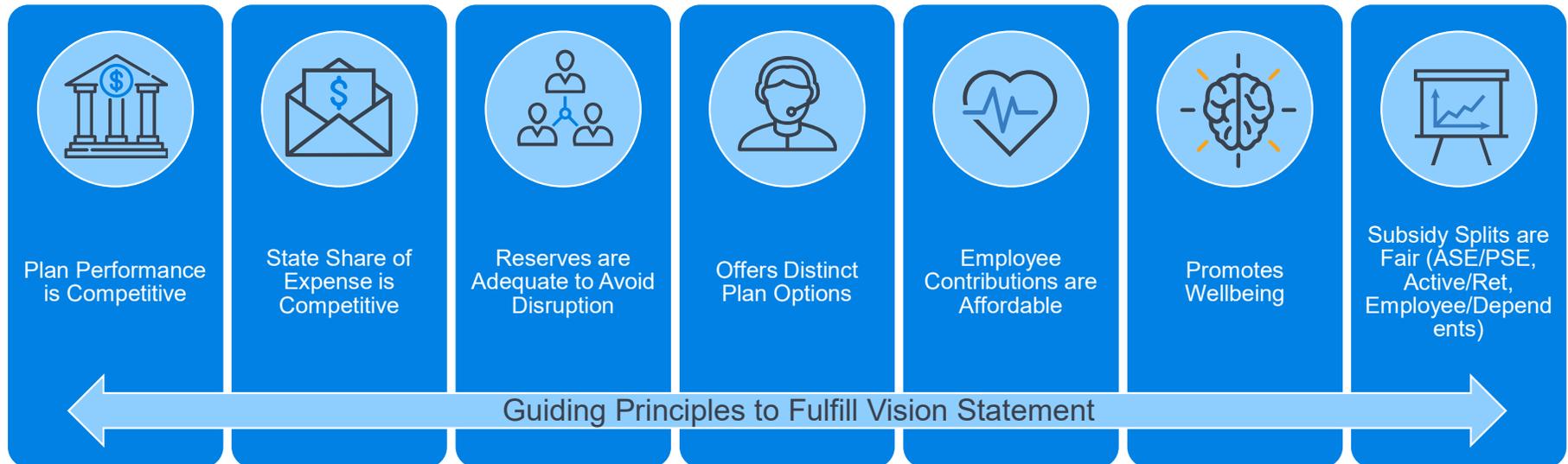
Appendix

Miscellaneous

Guiding Principles

Draft Vision Statement:

The Board will offer plan options that provide competitive value and health promotion in comparison to other states and consistently ensure that the plan is fully funded to maximize value and remain solvent



Timeline: Gantt chart

Description	2020			2021												2022			
	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	
Glide Path and Guiding Principles	█																		
Strategic Roadmap		█																	
Education			█																
2022 Strategies/Initiatives				█															
Finalize Rates/Decisions								█											
Plan Management	█																		
Monthly Plan Performance	█																		
Open Enrollment	█															█			