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**STATE OF MISSISSIPPI'S**

**STATE & SCHOOL EMPLOYEES'  
LIFE & HEALTH INSURANCE PLAN**

**ACTUARIAL REPORT  
CALENDAR YEAR 2017**

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**PREPARED BY:  
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March 3, 2018

Mr. Richard Self  
State Insurance Administrator  
Department of Finance and Administration  
State of Mississippi  
P. O. Box 24208  
Jackson, Mississippi 39225

Dear Mr. Self:

This Actuarial Report is based on a review of the experience through December 31, 2017, of the State and School Employees' Life and Health Insurance Plan ("Plan").

In performing my review and preparing my report, I relied on certain information and data provided by DFA, Blue Cross/Blue Shield of Mississippi ("BCBS"), Prime Therapeutics, Truven Health Analytics, and Minnesota Life Insurance Company.

To the best of my knowledge and belief:

- 1.) All material aspects of my review have been communicated to DFA in this report.
- 2.) The calculations of the current claim liabilities of the Plan are in accordance with currently applicable Actuarial Standards of Practice.
- 3.) The projections of future cash flows and balance sheet items are based on future assumptions which, in the aggregate, appear to me to be fair and reasonable.

Sincerely,



Wm. Lynn Townsend, FSA, MAAA



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## EXECUTIVE SUMMARY

Compared to prior expectations, the State and School Employees' Life and Health Insurance Plan continues to exhibit favorable overall experience. Based upon current claims liability estimates, the Plan has experienced a reduction in Plan Surplus of about \$27 million in CY17 and \$20 million in CY16. However, Plan experience in both years has been better than originally expected. The Plan ended CY17 with a Plan surplus of \$228 million, well in excess of the Plan's stated funding objective of maintaining Plan surplus at least equal to one-half of one month's average expenses in the last year (about \$32 million as of 12/31/17).

It has now been over 7 years since the health insurance premium rates have been increased for active employees and dependents, with cost increases from recent years having been met by the release of previously accumulated Plan surplus. Current cost projections suggest that the Plan will experience a total loss in CY18 of about \$54 million, with a resulting decline in Plan surplus during CY18 from \$228 million to \$174 million.

The Plan should consider implementing trend related increases beginning as of January 1, 2019. Current projections assume annual medical and drug claims cost trends of a little over 3% in CY18 thru CY21. The projections included in this Report assume annual rate increases are implemented for the non-Medicare premium rate classes as follows: 3% on January 1, 2019; 3% on January 1, 2020; and 10% on January 1, 2021. Under the claims cost trends and rate increases assumed in the projections, projected Plan surplus at the end of CY21 would be about \$45 million.

### CY17 Financial Summary

Using current claims liability estimates, claims and expenses exceeded Plan revenue in CY17 by about \$27 million.

<b>Financial Summary for CY17 (in Millions)</b>		
Health Premiums	\$ 723.3	
Health Claims Incurred	(719.0)	
Administrative & Cost Containment Expenses	(36.7)	
ACA Imposed Fees - Incurred	(0.4)	
Subtotal Health Insurance		\$ (32.9)
Life Premiums	\$ 17.3	
Life Claims Incurred	(14.0)	
Life Insurance Contract Expense	(0.8)	
Subtotal Life Insurance		2.5
Interest and Other Revenue		3.1
Total Gain (Loss)		\$ (27.3)
Plan Surplus, 12/31/16		\$ 255.1
Plan Surplus, 12/31/17		\$ 227.9

## EXECUTIVE SUMMARY (Continued)

### Comparison of Funding Status

Following is a comparison of the Plan's funding status for the last 5 years. Note that the amounts shown for Plan liabilities for prior years are based upon a retroactive review of the life and health insurance claims liabilities based on actual incurred claims

Comparison of Funding Status (in Millions)					
	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17
Plan Assets	\$349.5	\$379.6	\$382.0	\$358.6	\$330.4
less Plan Liabilities	<u>100.7</u>	<u>110.1</u>	<u>107.2</u>	<u>103.6</u>	<u>102.5</u>
Plan Surplus *	\$248.8	\$269.5	\$274.8	\$255.1	\$227.9
Annual Change in Funding Status	\$2.2	\$20.7	\$5.3	(\$19.7)	(\$27.2)
<i>* Plan Surplus, as shown above, is prior to any applicable premium deficiency reserve and does not take into account the liabilities of the State, as an employer, for post-retirement benefits.</i>					

### Historical Financial Summary

The following historical financial summary is based upon a retroactive review of the life and health insurance claims liabilities based on actual incurred claims and incurred drug rebates.

Historical Financial Summary (in Millions)					
	CY13	CY14	CY15	CY16	CY17
Health Insurance Gain (Loss)	(\$19.8)	\$17.0	\$1.9	(\$23.7)	(\$32.9)
Life Insurance Gain	5.3	1.5	0.8	0.9	2.5
Interest Income	2.8	2.2	2.6	3.0	3.1
Drug Company Settlements	13.8	0.0	0.0	0.0	0.0
Total Gain (Loss)	<u>\$2.2</u>	<u>\$20.7</u>	<u>\$5.3</u>	<u>(\$19.7)</u>	<u>(\$27.3)</u>

### Premiums versus Claims (Excluding Plan Expenses)

Based on current claim liability estimates, incurred claims (net of subrogation receipts, claim refunds, and pharmacy rebates) increased from \$703.9 million in CY16 to \$719.0 million in CY17, an increase of 2.1%.

Premium versus Claims Incurred (in Millions)					
	CY13	CY14	CY15	CY16	CY17
Health Premiums	\$723.2	\$718.3	\$718.1	\$720.3	\$723.3
Health Claims Incurred	\$708.8	\$658.0	\$676.1	\$703.9	\$719.0
Loss Ratio (Claims/Premium)	98.0%	91.6%	94.1%	97.7%	99.4%



## EXECUTIVE SUMMARY (Continued)

### Plan Projections

Plan projections were prepared for the next 4 calendar years. Using the current trend assumptions for medical claims and drug claims, and assuming no significant benefit design or other fundamental changes that affect costs, health insurance claims per non-Medicare member are expected to grow about 3% per year for the next 4 years.

The detailed Plan projections included in this Report include the following premium rate increase assumptions:

- Rate increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21 for non-Medicare premium rate classes.
- Rate increases of 2% on 1/1/19, 2% on 1/1/20, and 2% on 1/1/21 for Medicare primary premium rate classes.

Currently, the Plan's stated funding objective is to have surplus at least equal to ½ of one month's incurred expenses in the last year. Based on current claims cost trend assumptions, these rate increases are expected to reduce Plan surplus from its current relatively high level down to an amount closer to the Plan's stated funding objective by the end of CY21.

Summary Plan projections appear in the Table below. Detailed Plan projection appear in the body of this Report.

### SUMMARY PROJECTIONS (in Millions)

Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21

Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21

	Health Premium	Health Claims	Health Expense	Health Gain (Loss)	ACA Fees	Life Ins Gain & Interest	Total Gain (Loss)	Gain (Loss) as a % of Premium	Year End Projected Surplus	Year End Surplus Objective	Change in Surplus
CY17									\$228		
CY18	\$725	(\$744)	(\$38)	(\$58)	(\$0.4)	\$4	(\$54)	-7.5%	\$174	\$33	(\$54)
CY19	\$748	(\$769)	(\$39)	(\$60)	\$0.0	\$3	(\$56)	-7.5%	\$118	\$34	(\$56)
CY20	\$772	(\$794)	(\$40)	(\$62)	\$0.0	\$3	(\$60)	-7.7%	\$58	\$35	(\$60)
CY21	\$847	(\$821)	(\$41)	(\$15)	\$0.0	\$3	(\$13)	-1.5%	\$45	\$37	(\$13)
FY18									\$225		
FY19	\$737	(\$756)	(\$39)	(\$58)	(\$0.2)	\$4	(\$55)	-7.4%	\$170	\$34	(\$55)
FY20	\$760	(\$781)	(\$40)	(\$61)	\$0.0	\$3	(\$57)	-7.5%	\$113	\$35	(\$57)
FY21	\$810	(\$807)	(\$41)	(\$38)	\$0.0	\$3	(\$36)	-4.4%	\$77	\$36	(\$36)
<b>TREND ASSUMPTIONS, NON-MEDICARE</b>						<b>RATE INCREASE ASSUMPTIONS</b>					
	Medical	Drugs	Drug	Drugs	Total*				Plan	Medicare	
		Prior to	Rebates	After					Primary	Primary	
		Rebates		Rebates							
CY18	2.00%	6.0%	4.6%	6.4%	3.0%			07/01/18			
CY19	2.00%	6.0%	3.0%	6.7%	3.2%			01/01/19	3.0%	2%	
CY20	2.00%	6.0%	3.0%	6.7%	3.2%			07/01/19			
CY21	2.00%	6.0%	3.0%	6.7%	3.2%			01/01/20	3.0%	2%	
								07/01/20			
								01/01/21	10.0%	2%	

\* Total including medical, drugs, and drug rebates.

## **EXECUTIVE SUMMARY (Continued)**

### **Discussion of Assumptions and their Effect on the Projections**

These projections are based on cost trends and other assumptions that are difficult to predict and are subject to change due to unanticipated benefit changes or other fundamental changes that affect future costs.

The trend assumptions being used in this Report are less than those used in the Plan projections in prior reports and are less than those that were experienced just a few years ago. However, the annual cost trend assumptions being used are consistent with the cost trends experienced in those recent years in which significant operational or benefit changes did not occur, and the Plan currently does have a significant Plan surplus. To that extent, these assumptions appear to me to be reasonable.

It is also noted, however, that the Plan has periodically taken action to reduce costs. For example, in CY11 deductible and other benefit changes were implemented to reduce Plan costs. In CY14, significant cost reductions were achieved thru the introduction of the Blue Card network for out-of-state claims and enhancements in the AHS network for in-state claims.

Future operating results could be worse – or better – than projected. If experience worsens, rate increases higher than those shown in future years, or other Plan changes, could be required. If these projections prove to be conservative, future rate increases could perhaps be reduced or delayed, or Plan surplus in excess of that projected could still exist at the end of any of the projection periods shown.

### **Postemployment Benefits**

The CY17 Actuarial Report being provided herein does not separately identify and quantify the liabilities and costs that must be reported and recognized by the State, as an employer, under accounting rules established by the Governmental Accounting Standards Board for post-employment benefits. Therefore, Plan surplus – as defined in this Report – does not take into account the liabilities of the State, as an employer, associated with retiree health and life insurance.

Although there are significant surplus funds that exist in the Plan, there are much higher liabilities for the State – as an employer – for future retiree benefits that have not been funded. For example, based on current claims liability estimates, the Plan's surplus was about \$228 million as of 12/31/17. Based on the most recent valuation prepared by Cavanaugh Macdonald, the State's unfunded actuarial accrued liability associated with retiree benefits provided through the Plan was about \$785 million as of 6/30/17.

In evaluating the extent to which existing or projected surplus of the Plan is necessary or even sufficient, this Report should be reviewed in conjunction with the most recent version of the "Report of the Actuary on the Other Postemployment Benefits Valuation" that has been submitted by Cavanaugh Macdonald.

## CY17 FINANCIAL SUMMARY

The monthly financial statements prepared by DFA were adjusted to reflect the updated estimates of Plan liabilities and certain items of a similar nature were combined, as follows. Note that the amount shown for Plan surplus as of 12/31/16 is based upon a retroactive review of the life and health insurance claims liabilities based on actual incurred claims and incurred drug rebates.

<b>Financial Summary for CY17</b>		
Health Premiums	\$ 723.3	
Health Claims Incurred	(719.0)	
Administrative & Cost Containment Expenses	(36.7)	
ACA Imposed Fees - Incurred	<u>(0.4)</u>	
Subtotal Health Insurance		\$ (32.9)
Life Premiums	\$ 17.3	
Life Claims Incurred	(14.0)	
Life Insurance Contract Expense	<u>(0.8)</u>	
Subtotal Life Insurance		2.5
Interest and Other Revenue		<u>3.1</u>
Total Gain (Loss)		<u><u>\$ (27.3)</u></u>
Plan Surplus, 12/31/16 <sup>(1), (2), (3)</sup>		\$ 255.1
Plan Surplus, 12/31/17 <sup>(1), (3)</sup>		<u><u>\$ 227.9</u></u>
		<i>In millions</i>
<p>(1) Prior to any applicable premium deficiency reserve.</p> <p>(2) Based on a retroactive evaluation of claims liabilities using actual paid claims.</p> <p>(3) Plan Surplus, as shown above, does not take into account the liabilities of the State, as an employer, for post-retirement benefits. According to the most recent valuation prepared by Cavanaugh Macdonald, the State's unfunded actuarial accrued liability associated with retiree benefits provided through the State and School Employees' Life and Health Insurance Plan was about \$785 million as of 6/30/17.</p>		

### Historical Financial Summary

The following historical financial summary is based upon a retroactive review of the life and health insurance claims liabilities based on actual incurred claims and incurred drug rebates.

<b>Historical Financial Summary</b>					
	CY13	CY14	CY15	CY16	CY17
Health Insurance Gain (Loss)	(\$19.8)	\$17.0	\$1.9	(\$23.7)	(\$32.9)
Life Insurance Gain	5.3	1.5	0.8	0.9	2.5
Interest Income	2.8	2.2	2.6	3.0	3.1
Drug Company Settlements	13.8	0.0	0.0	0.0	0.0
Total Gain (Loss)	<u>\$2.2</u>	<u>\$20.7</u>	<u>\$5.3</u>	<u>(\$19.7)</u>	<u>(\$27.3)</u>
	<i>In Millions</i>				

## CURRENT FUNDING STATUS

### Plan Balance Sheet

As of 12/31/17, the Plan had an estimated funding surplus – prior to any applicable premium deficiency reserve – of \$227.9 million, derived as follows:

<b>BALANCE SHEET AS OF 12/31/17</b>	
<b>ASSETS</b>	
Cash and Invested Assets	\$ 330,370,215
<b>LIABILITIES</b>	
Estimated Medical & Drug Claims Incurred But Not Reported	\$ 81,324,738
Estimated Drug Card Rebates Receivable	(20,913,906)
Estimated Life Claims Incurred But Not Reported	4,643,018
Medical Claims Paid in Dec 17 by BCBS & in Jan 18 by the Plan	6,709,093
Drug Card Claims Paid in Dec 17 by Prime & in Jan 18 by the Plan	8,660,509
Life Claims Paid in Dec 17 by Minnesota Life & in Jan 18 by the Plan	1,152,138
Premium Contributions Received in Advance (less Arrears)	16,846,355
Prior Period Expenses	
BCBS (Plan Administration)	1,586,966
Active Health	611,016
Prime Therapeutics	1,300,000
Truven Health Analytics	31,450
Minnesota Life	67,136
Miscellaneous Expenses	52,760
ACA Imposed Fees Incurred but Unpaid	408,579
Total Claim Liabilities and Accrued Expenses	<u>\$ 102,479,851</u>
<b>PLAN SURPLUS (Prior to Any Applicable Premium Deficiency Reserve) <sup>(1)</sup></b>	<u><u>\$ 227,890,365</u></u>
<p><i>(1) Plan Surplus, as shown above, does not take into account the liabilities of the State, as an employer, for post-retirement benefits. According to the most recent valuation prepared by Cavanaugh Macdonald, the State's unfunded actuarial accrued liability associated with retiree benefits provided through the State and School Employees' Life and Health Insurance Plan was about \$785 million as of 6/30/17.</i></p>	

## CURRENT FUNDING STATUS (Continued)

### Comparison of Funding Status

Following is a comparison of the Plan's funding status for the last 5 years. Note that the amounts shown for Plan liabilities for prior years are based upon a retroactive review of the life and health insurance claims liabilities based on actual incurred claims. Plan liabilities also include an offset based on an evaluation of drug rebates receivable as of the end of each year.

Comparison of Funding Status (in Millions)					
	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17
Plan Assets	\$349.5	\$379.6	\$382.0	\$358.6	\$330.4
less Plan Liabilities	100.7	110.1	107.2	103.6	102.5
Plan Surplus (Prior to Any Applicable Premium Deficiency Reserve) *	\$248.8	\$269.5	\$274.8	\$255.1	\$227.9
Annual Change in Funding Status	\$2.2	\$20.7	\$5.3	(\$19.7)	(\$27.2)
<p><i>* Plan Surplus, as shown above, does not take into account the liabilities of the State, as an employer, for post-retirement benefits.</i></p>					

### Claims Liability for Incurred but Not Reported Medical Claims

The evaluation of the claims liability for claims paid by Blue Cross/Blue Shield of Mississippi ("BCBS" or "BCBS of MS") was completed following an extensive review of claims lag reports that BCBS provided for claims paid through January 2018. In general, claims liability estimates for the current period were determined by applying historical claims lag statistics to incomplete claims. These lag statistics were developed using system reports that summarize claims paid each month by the month in which the claim was incurred. Based on that analysis, I have evaluated the regular health insurance claims liability as of 12/31/18 to be about \$73.3 million. About \$38.9 million of this was paid in January 2018, leaving an estimated \$34.5 million left to be paid after January 2018. The \$73.3 million liability represents about 1.47 months of estimated average medical claims (excluding drug claims) incurred in the last 6 months.

### Claims Liability for Incurred but Not Reported Drug Claims

The vast majority of incurred drug claims have generally been paid by the pharmacy benefit manager within the month in which the drug claim was incurred. As of 12/31/17, the drug claims liability, net of estimated negative adjustments, was estimated to be a negative amount, but was held as zero on the above balance sheet.

### Combined Claims Liability for Incurred but Not Reported Non-Drug Claims and Drug Claims, Including Provision for Claims Settlement Expenses

Including a provision of \$8.0 million for future expenses allocated to claims incurred prior to the evaluation date, the total incurred health insurance claim liability for incurred but not reported non-drug claims and drug claims was estimated to be \$81.3 million as of 12/31/17.

## **CURRENT FUNDING STATUS (Continued)**

### **Offset to Claims Liability – Drug Rebates**

The Plan receives rebate payments as a result of contracts in place between Prime Therapeutics, LLC (“Prime”) and various drug manufacturers.

Prime provides an incurred rebate estimate to the Plan within 2 months of the end of each calendar quarter. Most of the incurred rebates are received by the Plan within 4 months of the calendar quarter. A second payment for each quarter is received within 6 months of the calendar quarter and a final payment is received 12 months after the end of the quarter.

As of 12/31/17, the estimate of the rebates receivable from Prime was about \$20.9 million, with about \$10.4 million of that already having been received during January 2018.

### **Claims Liability for Incurred but not Reported Life Insurance Claims**

The liability for life insurance claims incurred as of 12/31/17 but not reported to the Plan was estimated to be about \$4.6 million.

### **Liability for Claims Paid by BCBS in December but Not Reimbursed until January 2018**

In general, medical claims paid by BCBS of MS to in-state providers are immediately reflected by the Plan as paid claims because those claims are paid by BCBS of MS from the Plan’s bank account. However, beginning in January 2014, medical claims paid by BCBS of MS to out-of-state providers are now administered in conjunction with other states’ Blue Cross plans in order to obtain network pricing under the Blue Card program, and BCBS of MS bills the Plan after the fact for those claims payments. In January 2018, the Plan was billed by BCBS of MS \$6.7 million for medical claims paid to out-of-state providers thru December 31, 2017. This amount has been handled as a separate claims liability.

### **Liability for Claims Paid by Prime in December but Not Reimbursed until January 2018**

Claims paid by Prime during December 2017 that were not reimbursed by the Plan until January 2018 totaled \$8.7 million. This amount has been handled as a separate claims liability.

### **Liability for Claims Paid by Minnesota Life in December but Not Reimbursed until January 2018**

Life insurance claims are paid by Minnesota Life out of their funds. At the end of each month, the Plan is billed for claims paid during the prior month. During January 2018, the Plan was billed approximately \$1.15 million for claims paid by Minnesota Life in December 2017.

## HEALTH PLAN ENROLLMENT

### Total Plan Enrollment

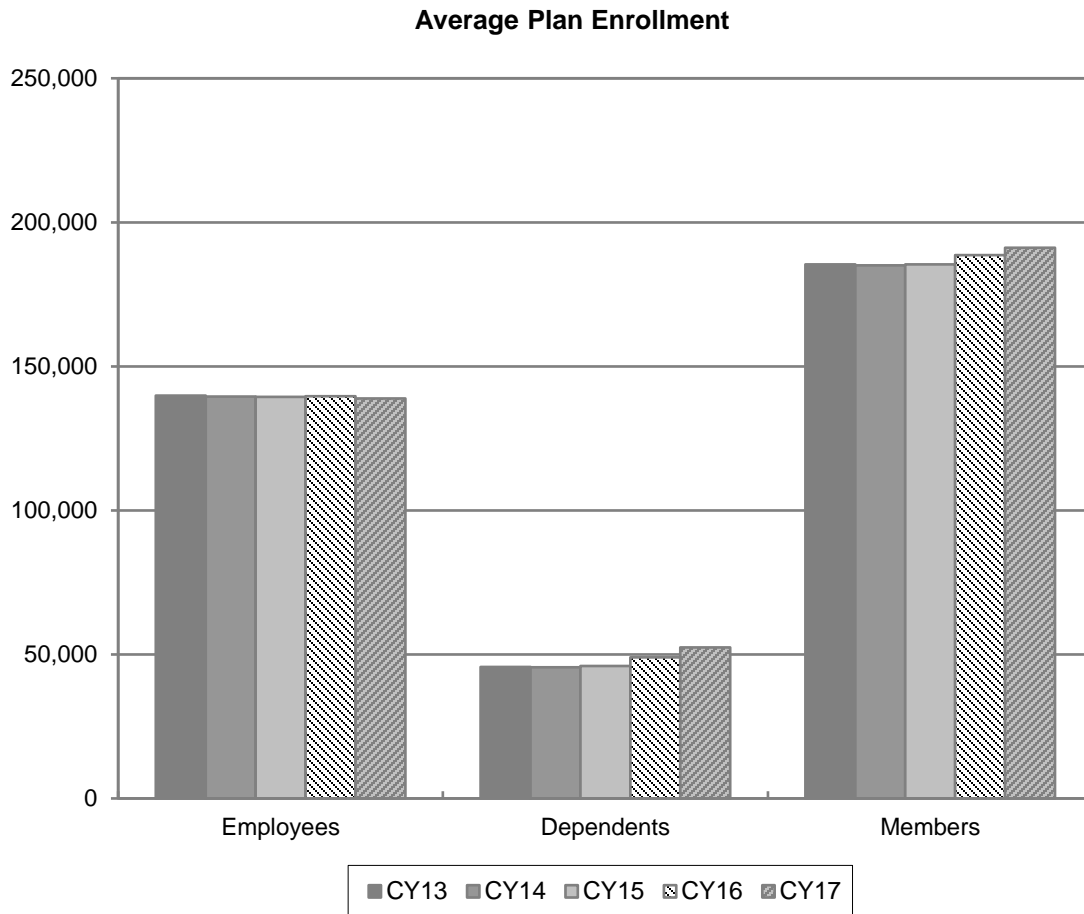
The average number of participating employees, dependents, and total members, by employee subgroup, were derived using the enrollment reports supplied by BCBS.

### Average Calendar Year Enrollment

Participant	CY15		CY16		CY17	
	Count	%	Count	%	Count	%
<b>Employees</b>						
Active	114,878	82.4%	114,767	82.2%	113,318	81.6%
COBRA	574	0.4%	636	0.5%	766	0.6%
Early Retirees	8,979	6.4%	8,675	6.2%	8,525	6.1%
Disabled Retiree (Non-Medicare)	176	0.1%	172	0.1%	172	0.1%
Disabled Retiree (Medicare)	1,005	0.7%	981	0.7%	954	0.7%
Medicare Retirees	13,769	9.9%	14,426	10.3%	15,085	10.9%
Total	139,382	100.0%	139,657	100.0%	138,820	100.0%
Total Retirees	23,929	17.2%	24,255	17.4%	24,736	17.8%
<b>Dependents</b>						
Active	40,636	88.3%	43,551	89.0%	46,835	89.4%
COBRA	222	0.5%	257	0.5%	338	0.6%
Early Retirees	2,024	4.4%	1,982	4.0%	2,004	3.8%
Disabled Retiree (Non-Medicare)	28	0.1%	26	0.1%	29	0.1%
Disabled Retiree (Medicare)	178	0.4%	164	0.3%	157	0.3%
Medicare Retirees	2,907	6.3%	2,957	6.0%	3,024	5.8%
Total	45,995	100.0%	48,936	100.0%	52,386	100.0%
Total Retirees	5,138	11.2%	5,129	10.5%	5,213	10.0%
<b>Members</b>						
Active	155,514	83.9%	158,318	83.9%	160,153	83.8%
COBRA	796	0.4%	893	0.5%	1,103	0.6%
Early Retirees	11,003	5.9%	10,657	5.7%	10,529	5.5%
Disabled Retiree (Non-Medicare)	204	0.1%	198	0.1%	201	0.1%
Disabled Retiree (Medicare)	1,184	0.6%	1,145	0.6%	1,110	0.6%
Medicare Retirees	16,677	9.0%	17,384	9.2%	18,109	9.5%
Total	185,377	100.0%	188,594	100.0%	191,206	100.0%
Total Retirees	29,067	15.7%	29,383	15.6%	29,949	15.7%

## HEALTH PLAN ENROLLMENT (Continued)

### Total Plan Enrollment Growth



<b>Annual Enrollment Growth Rates in CY17</b>			
	Active	Retirees	Total
Employees	-1.3%	2.0%	-0.6%
Dependents			
Spouse	5.9%	1.0%	4.3%
Children	7.9%	4.7%	8.0%
Total Dependents	7.5%	1.7%	7.0%
Employees & Dependents	1.2%	1.9%	1.4%



## HEALTH PLAN ENROLLMENT (Continued)

### Active Employee Enrollment – Legacy & Horizon Employees – Base & Select Coverage

House Bill 26, as enacted by the Legislature during 2005, included several provisions that affected the Plan beginning in CY06.

“Horizon” refers to an employee or retiree who was initially hired on or after January 1, 2006. “Legacy” refers to an employee or retiree who was initially hired prior to January 1, 2006.

The Plan has two coverage options that are available to all employees:

1. “Base” coverage is a High Deductible Health Plan designed to meet the federal requirements for use with Health Savings Accounts.
2. “Select” coverage is a traditional health insurance plan that has a separate deductible applicable to prescription drug benefits.

The State pays 100% of the premium for Base coverage.

Prior to January 1, 2011, the State also paid 100% of the premium for a Legacy employee who chose Select coverage. Beginning January 1, 2011, Legacy employees have had to pay a monthly premium of \$20 for Select coverage.

Horizon employees have always had to pay a portion of the premium for Select coverage. Beginning January 1, 2011, and continuing thru 2017, Horizon employees have paid a monthly premium of \$38 for Select coverage. During CY10, the active employee monthly premium differential between Select and Base coverage was \$18.

As of January 1, 2011 and continuing thru 2017, the monthly premium paid for by the State is \$356 for each active employee. The State makes the same contribution for all employees for either Base or Select coverage.

### Analysis of Active Employee Enrollment – Legacy & Horizon Employees – Base & Select Coverage

Historically, very few Legacy employees have chosen Base coverage (High Deductible Health Plan). However, Base coverage is selected by a significantly higher proportion of Horizon employees.

#### % of Active Employees Choosing Base Coverage (HDHP)

	Legacy Employees	Horizon Employees
CY05	0.1%	N/A
CY06	0.3%	20.0%
CY07	0.5%	18.4%
CY08	0.6%	15.4%
CY09	0.6%	13.2%
CY10	0.6%	11.8%
CY11	1.9%	14.7%
CY12	2.5%	16.9%
CY13	3.2%	18.8%
CY14	3.8%	20.5%
CY15	4.4%	22.0%
CY16	4.4%	20.7%
CY17	4.5%	19.8%

## HEALTH PLAN ENROLLMENT (Continued)

### Analysis of Average Active Employee Enrollment

Year	Months	Legacy Employees			Horizon Employees			Percent of Total	
		Select	Base	Total	Select	Base	Total	Legacy	Horizon
CY06	1-12	112,298 99.7%	365 0.3%	112,663 100.0%	3,927 80.0%	981 20.0%	4,908 100.0%	95.8%	4.2%
CY07	1-12	104,627 99.5%	561 0.5%	105,188 100.0%	11,730 81.6%	2,646 18.4%	14,376 100.0%	88.0%	12.0%
CY08	1-12	98,928 99.4%	627 0.6%	99,555 100.0%	18,849 84.6%	3,423 15.4%	22,272 100.0%	81.7%	18.3%
CY09	1-12	94,170 99.4%	600 0.6%	94,770 100.0%	24,740 86.8%	3,762 13.2%	28,501 100.0%	76.9%	23.1%
CY10	1-12	88,510 99.4%	570 0.6%	89,080 100.0%	28,531 88.2%	3,821 11.8%	32,352 100.0%	73.4%	26.6%
CY11	1-12	81,000 98.1%	1,544 1.9%	82,544 100.0%	30,182 85.3%	5,208 14.7%	35,390 100.0%	70.0%	30.0%
CY12	1-12	75,430 97.5%	1,900 2.5%	77,329 100.0%	32,938 83.1%	6,676 16.9%	39,613 100.0%	66.1%	33.9%
CY13	1-12	70,029 96.8%	2,289 3.2%	72,318 100.0%	35,373 81.2%	8,183 18.8%	43,556 100.0%	62.4%	37.6%
CY14	1-12	64,940 96.2%	2,530 3.8%	67,471 100.0%	37,887 79.5%	9,799 20.5%	47,686 100.0%	58.6%	41.4%
CY15	1-12	60,401 95.6%	2,755 4.4%	63,156 100.0%	40,348 78.0%	11,375 22.0%	51,722 100.0%	55.0%	45.0%
CY16	1-12	56,629 95.6%	2,588 4.4%	59,217 100.0%	44,023 79.3%	11,527 20.7%	55,550 100.0%	51.6%	48.4%
CY17	1-12	52,784 95.5%	2,474 4.5%	55,259 100.0%	46,559 80.2%	11,501 19.8%	58,060 100.0%	48.8%	51.2%

### Expected Growth in Horizon Employees as a % of Total Employees

As older employees retire or otherwise leave employment, and they are replaced by employees who were first hired by the State on or after January 1, 2006, the proportion of employees who are Horizon employees grows. Over the last 12 months, the percentage of employees who were Horizon employees grew from 49.7% on 12/31/16 to 52.4% on 12/31/17, which is an average monthly increase of about 0.23%.

If the percentage of employees who are Horizon employees were to continue to grow by an average of 0.23% per month, the Horizon proportion would grow to about 55.1% on 12/31/18, to 57.8% on 12/31/19, to 60.5% on 12/31/20, and to 63.2% on 12/31/21. Under that assumption, the average calendar year Horizon enrollment proportion would grow from 51.2% in CY17 to 53.8% in CY18, 56.5% in CY19, 59.2% in CY20, and 62.0% in CY21.

## HEALTH PLAN ENROLLMENT (Continued)

### Historical Enrollment Growth by Premium Class

Following is a summary of the average enrollment, by premium class, for CY17 together with the enrollment growth rates within each class for the last 5 years.

	Employee Enrollment Growth by Premium Class					Average Employee Enrollment *
	Enrollment Growth Rates					
	CY13	CY14	CY15	CY16	CY17	CY17
Employee (Active & COBRA)	-1%	-1%	0%	0%	-1%	114,162
Spouse Only (Active & COBRA)	-8%	-4%	-4%	3%	2%	4,063
Full Family (Active & COBRA)	-6%	-1%	1%	6%	9%	5,071
Children Only (All Classes)	1%	1%	3%	9%	9%	7,218
Child Only (All classes)	0%	0%	0%	7%	6%	10,403
Disabled Retiree - Non Medicare	-1%	-6%	-10%	-3%	2%	175
Retired Employee - Non Medicare	-2%	-2%	-3%	-3%	-2%	8,521
Retiree Spouse Only - Non Medicare	-7%	-6%	-3%	-5%	-3%	1,195
Retiree Family - Non Medicare	-8%	1%	-2%	4%	2%	202
Retiree Family - 1 on Medicare	-2%	-2%	7%	-9%	14%	57
Retiree Spouse Only - Medicare	2%	1%	1%	1%	3%	2,779
Retired Employee - Medicare **	4%	4%	4%	4%	4%	16,041

\* Refers to employee counts only, i.e., does not include dependents.  
 \*\* Includes disabled retirees eligible for Medicare.

## HEALTH INSURANCE EXPERIENCE

### Premiums versus Claims

Incurred health insurance premiums are estimated to have exceeded claims (prior to administrative expenses but after drug rebates) by about \$4.3 million during CY17. Following is a summary comparison for the last several years. Note that the amounts shown for incurred claims for prior years are based upon a retroactive review of health insurance claims liabilities based on actual incurred claims.

<b>Premium versus Claims Incurred (in Millions)</b>					
	CY13	CY14	CY15	CY16	CY17
Health Premiums	\$723.2	\$718.3	\$718.1	\$720.3	\$723.3
Health Claims Incurred	\$708.8	\$658.0	\$676.1	\$703.9	\$719.0
Loss Ratio (Claims/Premium)	98.0%	91.6%	94.1%	97.7%	99.4%

Based on current claim liability estimates, incurred claims (net of subrogation receipts, claim refunds, and pharmacy rebates) increased from \$703.9 million in CY16 to \$719.0 million in CY17, an increase of 2.1%.

### Premiums versus Claims by Premium Class (Select & Base Coverage Combined)

CY17 paid loss ratios for the Plan as a whole appear in the Table on the following page and are summarized for the major premium classes in the table below:

<b>CY17 PAID LOSS RATIOS</b>			
<b>SELECT AND BASE COVERAGE COMBINED: LEGACY AND HORIZON EMPLOYEES</b>			
<b>Prior to Plan Expenses &amp; Drug Rebates</b>			
	<b>Monthly Average Premium</b>	<b>Monthly Paid Losses</b>	<b>Paid Loss Ratio</b>
Active (& COBRA) Employees	\$381	\$356	93%
Active (& COBRA) Dependents			
Spouse Only	\$437	\$747	171%
Full Family	\$641	\$794	124%
Child Only *	\$149	\$225	151%
Children Only *	\$307	\$368	120%
Early Retiree (Disabled)	\$442	\$3,174	718%
Early Retiree (Non-Disabled)	\$433	\$703	162%
Spouse Only	\$510	\$622	122%
Full Family	\$744	\$751	101%
Medicare Retirees & Spouse Only (Medicare)**	\$184	\$158	86%

\* The children and child only premium classes are available to all employees.

\*\* Includes disabled retirees eligible for Medicare.

## HEALTH INSURANCE EXPERIENCE (Continued)

<b>ACTUAL CY17 PAID LOSS RATIOS BY PREMIUM CLASS</b>						
<b>SELECT AND BASE COVERAGE COMBINED: LEGACY AND HORIZON EMPLOYEES</b>						
	Active Employee	COBRA Employee	Early Retiree	Early Retiree Disabled	Medicare Retiree	Total*
<b>AVERAGE COUNT</b>						
Employee	113,403	759	8,521	175	16,041	138,898
Spouse (Regular)	4,021	42	826	14	355	5,258
Spouse (Medicare)	0	0	256	1	2,522	2,779
Family (Regular)	5,023	47	168	2	32	5,273
Child Only	9,903	61	310	7	122	10,403
Children Only	7,108	32	59	2	16	7,218
Family (1 on Medicare)	0	0	25	0	32	57
<b>PREMIUM (in millions)</b>						
Employee	518.4	3.6	44.3	0.9	35.4	602.6
Spouse (Regular)	21.1	0.2	5.0	0.1	2.2	28.6
Spouse (Medicare)	0.0	0.0	0.6	0.0	5.6	6.1
Family (Regular)	38.6	0.4	1.5	0.0	0.3	40.8
Child Only	17.6	0.1	0.6	0.0	0.2	18.5
Children Only	26.2	0.1	0.2	0.0	0.1	26.6
Family (1 on Medicare)	0.0	0.0	0.1	0.0	0.1	0.2
Total	621.9	4.4	52.3	1.1	43.9	723.6
<b>CLAIMS (in millions)</b>						
Employee	472.6	15.0	71.9	6.6	30.3	596.4
Spouse (Regular)	36.0	0.5	6.0	0.2	2.7	45.3
Spouse (Medicare)	0.0	0.0	0.8	0.0	4.6	5.4
Family (Regular)	47.7	0.6	1.6	0.0	0.2	50.1
Child Only	26.8	0.3	0.7	0.0	0.3	28.1
Children Only	31.1	0.2	0.4	0.0	0.2	31.9
Family (1 on Medicare)	0.0	0.0	0.2	0.0	0.1	0.3
Total	614.3	16.5	81.6	6.9	38.4	757.6
<b>AVERAGE PREMIUM RATE, CY17</b>						
Employee	380.93	393.38	433.09	441.83	184.00	
Spouse (Regular)	437.11	445.74	508.84	509.00	512.93	
Spouse (Medicare)	N/A	N/A	184.00	184.00	184.00	
Family (Regular)	641.08	656.26	743.41	744.00	744.00	
Child Only	148.30	149.50	154.62	155.00	155.00	
Children Only	306.94	309.68	311.72	312.00	312.00	
Family (1 on Medicare)	N/A	N/A	339.00	N/A	339.00	
<b>LOSS RATIO</b>						
Employee	91%	417%	162%	718%	86%	99%
Spouse (Regular)	171%	207%	118%	270%	124%	158%
Spouse (Medicare)	N/A	N/A	150%	179%	82%	88%
Family (Regular)	123%	160%	105%	34%	85%	123%
Child Only	152%	249%	120%	136%	126%	151%
Children Only	119%	150%	186%	151%	287%	120%
Family (1 on Medicare)	N/A	N/A	202%	N/A	66%	126%
Total	99%	373%	156%	658%	87%	105%
* Totals may not agree due to rounding.			Does not include drug rebates.			

## HEALTH INSURANCE EXPERIENCE (Continued)

### Premiums versus Claims by Premium Class (Select versus Base Coverage)

Paid loss ratios for the following subsets appear in the Tables on the next 4 pages for the following premium classes and are summarized in the table below for active employees only:

1. Legacy Employees      Select Coverage
2. Legacy Employees      Base Coverage
3. Horizon Employees      Select Coverage
4. Horizon Employees      Base Coverage

<b>CY17 PAID LOSS RATIOS ACTIVE EMPLOYEES ONLY Prior to Plan Expenses &amp; Drug Rebates</b>						
	Average Number of Employees	Monthly Average Premium	Monthly Paid Losses	Paid Loss Ratio	CY17 Average Age	CY17 Average Months
<b>Legacy Employees</b>						
Select	52,804	\$376	\$417	111%	50.2	11.1
Base (HDHP)	2,473	\$356	\$224	63%	47.2	9.8
<b>Horizon Employees</b>						
Select	46,615	\$394	\$321	81%	39.0	10.0
Base (HDHP)	11,511	\$356	\$163	46%	36.5	9.3
<b>All Employees</b>						
Base & Select	113,403	\$381	\$347	91%	44.1	10.5

There are several important points to consider when reviewing and comparing the loss ratios for these separate subsets:

- The average age of Legacy employees is significantly higher than that for Horizon employees.
- All Horizon employees, and Legacy employees who chose Base coverage, are covered for well less than a full year, on average. On average, those employees have less time to meet the calendar year deductible, and therefore have fewer claims.
- These loss ratios are on a paid basis, not an incurred basis. Employee growth within a premium class automatically means that there will be a significant upward adjustment once claims are complete and loss ratios can be stated on an incurred basis. Similarly, subsets that are declining in size (e.g., Select coverage for Legacy Employees) likely will have a significant downward adjustment once claims are complete.
- Small subsets, such as Base coverage for Legacy Employees, could differ significantly from expectations simply due to random fluctuation.

## HEALTH INSURANCE EXPERIENCE (Continued)

<b>ACTUAL CY17 PAID LOSS RATIOS BY PREMIUM CLASS</b>						
<b>SELECT COVERAGE: LEGACY EMPLOYEES</b>						
	Active Employee	COBRA Employee	Early Retiree	Early Retiree Disabled	Medicare Retiree	Total*
<b>AVERAGE COUNT</b>						
Employee	52,804	279	8,391	167	15,983	77,625
Spouse (Regular)	2,298	18	793	14	348	3,471
Spouse (Medicare)	0	0	255	0	2,517	2,773
Family (Regular)	2,613	21	164	2	32	2,831
Child Only	4,427	22	306	7	121	4,883
Children Only	3,853	9	57	2	16	3,936
Family (1 on Medicare)	0	0	25	0	32	57
<b>PREMIUM (in millions)</b>						
Employee	238.3	1.3	43.5	0.9	35.3	319.2
Spouse (Regular)	12.2	0.1	4.8	0.1	2.1	19.4
Spouse (Medicare)	0.0	0.0	0.6	0.0	5.6	6.1
Family (Regular)	20.3	0.2	1.5	0.0	0.3	22.2
Child Only	8.2	0.0	0.6	0.0	0.2	9.1
Children Only	14.4	0.0	0.2	0.0	0.1	14.7
Family (1 on Medicare)	0.0	0.0	0.1	0.0	0.1	0.2
Total	293.4	1.6	51.2	1.0	43.7	391.0
<b>CLAIMS (in millions)</b>						
Employee	264.0	6.5	70.9	6.2	30.2	377.8
Spouse (Regular)	23.4	0.3	5.8	0.2	2.7	32.3
Spouse (Medicare)	0.0	0.0	0.8	0.0	4.5	5.4
Family (Regular)	28.0	0.2	1.6	0.0	0.2	30.1
Child Only	12.0	0.1	0.7	0.0	0.3	13.1
Children Only	17.9	0.0	0.4	0.0	0.2	18.5
Family (1 on Medicare)	0.0	0.0	0.2	0.0	0.1	0.3
Total	345.3	7.2	80.4	6.4	38.2	477.5
<b>AVERAGE PREMIUM RATE, CY17</b>						
Employee	376.00	388.08	432.00	432.00	184.00	
Spouse (Regular)	443.00	453.00	509.00	509.00	509.00	
Spouse (Medicare)	N/A	N/A	184.00	184.00	184.00	
Family (Regular)	647.00	660.00	744.00	744.00	744.00	
Child Only	155.00	158.00	155.00	155.00	155.00	
Children Only	312.00	318.00	312.00	312.00	312.00	
Family (1 on Medicare)	N/A	N/A	339.00	N/A	339.00	
<b>LOSS RATIO</b>						
Employee	111%	503%	163%	711%	86%	118%
Spouse (Regular)	191%	308%	119%	270%	125%	167%
Spouse (Medicare)	N/A	N/A	150%	11%	82%	88%
Family (Regular)	138%	131%	106%	34%	85%	135%
Child Only	146%	165%	120%	136%	126%	144%
Children Only	124%	118%	191%	151%	287%	126%
Family (1 on Medicare)	N/A	N/A	202%	N/A	66%	126%
Total	118%	438%	157%	649%	87%	122%
* Totals may not agree due to rounding.			Does not include drug rebates.			

## HEALTH INSURANCE EXPERIENCE (Continued)

<b>ACTUAL CY17 PAID LOSS RATIOS BY PREMIUM CLASS</b>						
<b>BASE COVERAGE: LEGACY EMPLOYEES</b>						
	Active Employee	COBRA Employee	Early Retiree	Early Retiree Disabled	Medicare Retiree	Total*
<b>AVERAGE COUNT</b>						
Employee	2,473	9	84	0	0	2,566
Spouse (Regular)	100	1	26	0	0	127
Spouse (Medicare)	0	0	0	0	0	0
Family (Regular)	146	1	3	0	0	150
Child Only	286	0	3	0	0	290
Children Only	212	2	1	0	0	215
Family (1 on Medicare)	0	0	0	0	0	0
<b>PREMIUM (in millions)</b>						
Employee	10.6	0.0	0.4	0.0	0.0	11.0
Spouse (Regular)	0.5	0.0	0.1	0.0	0.0	0.6
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	1.0	0.0	0.0	0.0	0.0	1.1
Child Only	0.3	0.0	0.0	0.0	0.0	0.4
Children Only	0.7	0.0	0.0	0.0	0.0	0.7
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	13.1	0.1	0.6	0.0	0.0	13.7
<b>CLAIMS (in millions)</b>						
Employee	6.7	0.1	0.4	0.0	0.0	7.2
Spouse (Regular)	0.3	0.0	0.2	0.0	0.0	0.5
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	1.0	0.0	0.0	0.0	0.0	1.0
Child Only	0.3	0.0	0.0	0.0	0.0	0.3
Children Only	0.6	0.0	0.0	0.0	0.0	0.6
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	8.9	0.1	0.6	0.0	0.0	9.7
<b>AVERAGE PREMIUM RATE, CY17</b>						
Employee	356.00	363.00	409.00	N/A	N/A	
Spouse (Regular)	389.00	396.00	447.00	N/A	N/A	
Spouse (Medicare)	N/A	N/A	N/A	N/A	N/A	
Family (Regular)	593.00	604.00	682.00	N/A	N/A	
Child Only	101.00	103.00	116.00	N/A	N/A	
Children Only	258.00	263.00	297.00	N/A	N/A	
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	
<b>LOSS RATIO</b>						
Employee	63%	351%	109%	N/A	N/A	66%
Spouse (Regular)	59%	12%	135%	N/A	N/A	76%
Spouse (Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Family (Regular)	96%	5%	52%	N/A	N/A	94%
Child Only	97%	0%	2%	N/A	N/A	96%
Children Only	93%	42%	39%	N/A	N/A	92%
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Total	68%	253%	111%	N/A	N/A	70%
* Totals may not agree due to rounding.			Does not include drug rebates.			



## HEALTH INSURANCE EXPERIENCE (Continued)

<b>ACTUAL CY17 PAID LOSS RATIOS BY PREMIUM CLASS</b>						
<b>SELECT COVERAGE: HORIZON EMPLOYEES</b>						
	Active Employee	COBRA Employee	Early Retiree	Early Retiree Disabled	Medicare Retiree	Total*
<b>AVERAGE COUNT</b>						
Employee	46,615	399	46	7	58	47,124
Spouse (Regular)	1,284	19	7	0	7	1,317
Spouse (Medicare)	0	0	1	1	5	6
Family (Regular)	1,860	24	1	0	0	1,885
Child Only	4,247	29	1	0	1	4,279
Children Only	2,589	19	1	0	0	2,608
Family (1 on Medicare)	0	0	0	0	0	0
<b>PREMIUM (in millions)</b>						
Employee	220.4	1.9	0.4	0.1	0.1	222.9
Spouse (Regular)	6.8	0.1	0.1	0.0	0.1	7.0
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	14.4	0.2	0.0	0.0	0.0	14.6
Child Only	7.9	0.1	0.0	0.0	0.0	8.0
Children Only	9.7	0.1	0.0	0.0	0.0	9.8
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	259.3	2.3	0.4	0.1	0.2	262.3
<b>CLAIMS (in millions)</b>						
Employee	179.5	7.2	0.6	0.5	0.1	187.8
Spouse (Regular)	11.2	0.2	0.0	0.0	0.1	11.4
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	15.7	0.4	0.0	0.0	0.0	16.1
Child Only	12.9	0.1	0.0	0.0	0.0	12.9
Children Only	11.2	0.1	0.0	0.0	0.0	11.3
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	230.4	7.9	0.6	0.5	0.2	239.6
<b>AVERAGE PREMIUM RATE, CY17</b>						
Employee	394.00	403.14	676.00	676.00	184.00	
Spouse (Regular)	443.00	452.00	718.00	N/A	718.00	
Spouse (Medicare)	N/A	N/A	184.00	184.00	184.00	
Family (Regular)	647.00	660.00	873.00	N/A	N/A	
Child Only	155.00	158.00	155.00	N/A	155.00	
Children Only	312.00	319.00	312.00	N/A	N/A	
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	
<b>LOSS RATIO</b>						
Employee	81%	373%	153%	896%	77%	84%
Spouse (Regular)	164%	149%	20%	N/A	94%	162%
Spouse (Medicare)	N/A	N/A	14%	222%	67%	86%
Family (Regular)	109%	194%	26%	N/A	N/A	110%
Child Only	163%	130%	274%	N/A	123%	163%
Children Only	115%	190%	6%	N/A	N/A	116%
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Total	89%	337%	131%	869%	82%	91%
* Totals may not agree due to rounding.			Does not include drug rebates.			

## HEALTH INSURANCE EXPERIENCE (Continued)

<b>ACTUAL CY17 PAID LOSS RATIOS BY PREMIUM CLASS</b>						
<b>BASE COVERAGE: HORIZON EMPLOYEES</b>						
	Active Employee	COBRA Employee	Early Retiree	Early Retiree Disabled	Medicare Retiree	Total*
<b>AVERAGE COUNT</b>						
Employee	11,511	72	0	1	0	11,584
Spouse (Regular)	338	4	0	0	0	343
Spouse (Medicare)	0	0	0	0	0	0
Family (Regular)	404	2	0	0	0	406
Child Only	942	9	0	0	0	951
Children Only	454	3	0	0	0	457
Family (1 on Medicare)	0	0	0	0	0	0
<b>PREMIUM (in millions)</b>						
Employee	49.2	0.3	0.0	0.0	0.0	49.5
Spouse (Regular)	1.6	0.0	0.0	0.0	0.0	1.6
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	2.9	0.0	0.0	0.0	0.0	2.9
Child Only	1.1	0.0	0.0	0.0	0.0	1.2
Children Only	1.4	0.0	0.0	0.0	0.0	1.4
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	56.2	0.4	0.0	0.0	0.0	56.6
<b>CLAIMS (in millions)</b>						
Employee	22.5	1.1	0.0	0.0	0.0	23.6
Spouse (Regular)	1.1	0.0	0.0	0.0	0.0	1.1
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	3.0	0.0	0.0	0.0	0.0	3.0
Child Only	1.6	0.1	0.0	0.0	0.0	1.7
Children Only	1.4	0.0	0.0	0.0	0.0	1.4
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	29.6	1.3	0.0	0.0	0.0	30.9
<b>AVERAGE PREMIUM RATE, CY17</b>						
Employee	356.00	363.79	653.00	653.00	N/A	
Spouse (Regular)	389.00	396.00	N/A	N/A	N/A	
Spouse (Medicare)	N/A	N/A	N/A	N/A	N/A	
Family (Regular)	593.00	604.00	N/A	N/A	N/A	
Child Only	101.00	103.00	N/A	N/A	N/A	
Children Only	258.00	263.00	N/A	N/A	N/A	
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	
<b>LOSS RATIO</b>						
Employee	46%	343%	0%	40%	N/A	48%
Spouse (Regular)	71%	61%	N/A	N/A	N/A	71%
Spouse (Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Family (Regular)	103%	132%	N/A	N/A	N/A	103%
Child Only	140%	1140%	N/A	N/A	N/A	150%
Children Only	102%	43%	N/A	N/A	N/A	101%
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Total	53%	335%	0%	40%	N/A	55%
* Totals may not agree due to rounding.			Does not include drug rebates.			

## HEALTH INSURANCE EXPERIENCE (Continued)

### Adult Wellness Benefits

The Plan has provided benefits for wellness/preventive services for participants who are age 18 and older since January 1, 2000. Adult wellness benefits are based on 100% of the allowable charge, require the use of network providers, and are limited to listed services that vary based on the age and sex of the member.

Following is a summary of how these benefits have changed since the inception of adult wellness benefits in CY2000.

#### Summary of In Network Adult Wellness Benefits

Years	Annual Maximum	Subject to Deductible	Other Requirements or Conditions
2000-01	\$150	Yes	For ages 18-44 benefit was for every 2 years
2002-04	\$200	Yes	
2005	\$250	Yes	
2006	\$250	No	
2007	\$300	No	Limited to \$250 without an HRA
2008-09	\$1,000	No	Required completion of a Health Risk Assessment (HRA)
2010-11	No Max	No	Required completion of a Health Risk Assessment (HRA)
2012-18	No Max	No	A Health Risk Assessment is no longer required

### Wellness/Preventive Benefit Costs

Following is a summary of the adult and child wellness benefits (medical benefits only) incurred in CY07 thru CY16:

#### Wellness Benefits Incurred (in Millions) Medical Benefits Only (i.e., not Including Drugs)

	Adults	% Change	Children	% Change	Total	% Change
<b>CY07</b>	\$11.6		\$2.8		\$14.3	
<b>CY08</b>	\$18.6	61%	\$4.6	66%	\$23.2	62%
<b>CY09</b>	\$17.1	-8%	\$5.9	27%	\$23.0	-1%
<b>CY10</b>	\$25.4	49%	\$6.7	15%	\$32.2	40%
<b>CY11</b>	\$27.1	7%	\$6.7	0%	\$33.8	5%
<b>CY12</b>	\$29.7	10%	\$7.7	14%	\$37.4	10%
<b>CY13</b>	\$32.1	8%	\$7.7	1%	\$39.8	7%
<b>CY14</b>	\$33.0	3%	\$8.3	7%	\$41.2	4%
<b>CY15</b>	\$33.4	1%	\$8.4	1%	\$41.8	1%
<b>CY16</b>	\$31.6	-6%	\$9.4	12%	\$40.9	-2%

Wellness benefits incurred in CY17 are not yet complete. Following is a comparison of the adult and child wellness benefits incurred in the 1<sup>st</sup> nine months of CY16 and CY17 that were paid by the end of each respective calendar year.

#### Wellness Benefits Incurred

Incurred Mos 1-9	Paid By	Adults	% Change	Children	% Change	Total	% Change
<b>CY16</b>	<b>Dec-16</b>	\$22,276,940	-5%	\$7,056,849	16%	\$29,333,789	-1%
<b>CY17</b>	<b>Dec-17</b>	\$21,229,963	-5%	\$7,271,570	3%	\$28,501,532	-3%

## HEALTH INSURANCE EXPERIENCE (Continued)

### Claims Cost per Member and Trend Rates for Non-Drug Claims

The Table below shows – for non-drug claims – average costs per member per month for medical claims, as well as the resulting trend rates. Results are separated for members who have regular coverage, i.e., for whom the Plan is primary, versus those who have Medicare as primary coverage.

The Table below also shows the extent to which claims costs are complete, by period. For periods which have completion factors well less than 100%, the claims costs shown are heavily dependent on current estimates of the liability for outstanding claims. Therefore, the claims costs and trend rates for those periods should be considered as estimates.

It is useful to review the trends from year-to-year on a calendar year basis because most major Plan benefit and operational changes occur on a calendar year basis. For example:

- In CY11, the negative trend rates were the result of the significant benefit changes in CY11 – primarily the increase in the Plan’s deductibles.
- In CY14, the significant negative trend rate was primarily the result of the improvements in network pricing and participation, particularly with respect to out-of-state claims. As of January 1, 2014, the Plan began participation in the Blue Card Network for out-of-state claims.
- In CY16, the Plan implemented the PCP copay feature on Select coverage. During that feature’s development, it was estimated that non-drug claims would increase about 2.5% due to that Plan change.

### Non-Drug Benefit Costs, Per Member Per Month

	Plan Primary			Medicare Primary		
	Percent Complete	PMPM	Trend	Percent Complete	PMPM	Trend
CY08	100.0%	\$244.29		100.0%	\$133.81	
CY09	100.0%	\$253.50	3.8%	100.0%	\$147.11	9.9%
CY10	100.0%	\$264.95	4.5%	100.0%	\$150.02	2.0%
CY11	100.0%	\$249.12	-6.0%	100.0%	\$147.50	-1.7%
CY12	100.0%	\$256.90	3.1%	100.0%	\$147.48	0.0%
CY13	100.0%	\$268.11	4.4%	100.0%	\$151.69	2.8%
CY14	100.0%	\$239.34	-10.7%	100.0%	\$146.19	-3.6%
CY15	100.0%	\$239.69	0.1%	100.1%	\$152.03	4.0%
CY16	99.9%	\$253.09	5.6%	100.0%	\$153.19	0.8%
CY17*	87.0%	\$253.26	0.1%	86.2%	\$160.11	4.5%

*\*Based on current claims liability estimates.*

## HEALTH INSURANCE EXPERIENCE (Continued)

### Prescription Drug Costs

**Description of Plan Benefits for Prescription Drugs** – Following is a summary of the drug benefits applicable to Select coverage for the last several years:

Description of Prescription Drug Benefits								
CALENDAR YEARS:	2002	2003	2005	2007	2009	2010	2014	2018
		2004	2006	2008		2013	2017	
<b>DEDUCTIBLE</b>	\$50	\$50	\$50	\$50	\$50	\$75	\$75	\$75
<b>COPAYS</b>								
Generic	\$10	\$11	\$12	\$13	\$12	\$12	\$12	\$12
Preferred	\$25	\$27	\$30	\$33	\$36	\$40	\$45	\$45
Non Preferred / Specialty	\$35	\$42	\$50	\$55	\$60	\$65	\$70	\$100

Drug benefits under Base coverage (High Deductible Health Plan) are also subject to the above copays. Beginning in 2017, certain preventive drugs have been covered under Base coverage subject to the \$75 drug deductible; otherwise, drugs under Base coverage are subject to a combined medical and drug deductible, not a separate drug deductible. Effective January 1, 2006, Medicare eligible retirees no longer were eligible for drug benefits under the Plan since they were eligible for Medicare Part D drug coverage.

**Drug Claims Incurred** – Gross drug claims incurred, prior to estimated rebates, increased from \$188.6 million in CY16 to \$201.8 million in CY17, an increase of about 7%. The Plan receives rebate payments as a result of contracts in place between the pharmacy benefit manager and various drug manufacturers. Estimated incurred rebates, increased from \$34.2 million in CY16 to \$40.9 million in CY17, an increase of 19%.

After estimated incurred rebates, net drug claims increased from \$154.4 million in CY16 to \$161.0 million in CY17, an increase of about 4.3%.

**Drug Cost Trends** – Following are the trends in drug benefit costs per member per month for the last 6 calendar years.

#### Drug Benefit Costs, Per Member Per Month

	Drug Benefits	Drug Rebates	Net Drug Costs	Increase Rates prior to Drug Company Settlements		
				Drug Benefits	Drug Rebates	Net Drug Costs
CY08	\$50.19	-\$4.23	\$45.96			
CY09	\$53.75	-\$4.44	\$49.31	7.1%	5.0%	7.3%
CY10	\$53.24	-\$4.32	\$48.92	-0.9%	-2.8%	-0.8%
CY11	\$54.81	-\$4.70	\$50.11	2.9%	8.8%	2.4%
CY12	\$61.50	-\$4.79	\$56.71	12.2%	2.0%	13.2%
CY13	\$71.02	-\$4.75	\$66.26	15.5%	-0.9%	16.9%
CY14	\$78.29	-\$6.34	\$71.96	10.2%	33.4%	8.6%
CY15	\$87.04	-\$7.01	\$80.03	11.2%	10.6%	11.2%
CY16	\$92.06	-\$16.72	\$75.33	5.8%	138.5%	-5.9%
CY17	\$97.43	-\$19.75	\$77.69	5.8%	18.1%	3.1%

*\* Based on estimates of outstanding claims as of 12/31/17.*

## HEALTH INSURANCE EXPERIENCE (Continued)

### Claims Costs per Member and Trend Rates for Non-Medicare Claims

The average monthly claims costs and trend rates for non-drug claims, drug claims, and total claims for non-Medicare members are shown in the Table below:

#### Non-Medicare Claims Costs, Per Member per Month

	Non-Drug Claims	Net Drug Claims	Total Claims	Trend Rates		
				Non-Drug Claims	Net Drug Claims	Total Claims
CY08	\$244.29	\$45.96	\$290.25			
CY09	\$253.50	\$49.31	\$302.81	3.8%	7.3%	4.3%
CY10	\$264.95	\$48.92	\$313.87	4.5%	-0.8%	3.7%
CY11	\$249.12	\$50.11	\$299.23	-6.0%	2.4%	-4.7%
CY12	\$256.90	\$56.71	\$313.61	3.1%	13.2%	4.8%
CY13	\$268.11	\$66.26	\$334.38	4.4%	16.9%	6.6%
CY14	\$239.34	\$71.96	\$311.30	-10.7%	8.6%	-6.9%
CY15	\$239.69	\$80.03	\$319.72	0.1%	11.2%	2.7%
CY16	\$253.09	\$75.33	\$328.42	5.6%	-5.9%	2.7%
CY17 *	\$253.26	\$77.69	\$330.95	0.1%	3.1%	0.8%

\* Based on estimates of outstanding claims as of 12/31/17.

## HEALTH INSURANCE EXPERIENCE (Continued)

### Analysis of Incurred Medical and Drug Claims Costs by Premium Class

Following is an analysis of incurred claims for the last 5 years. This analysis includes both drug and non-drug claims, including an allocation of drug rebates to each class in proportion to incurred drug claims.

For all classes, this analysis relied on paid data by incurred month using the Truven Health Analytics database, and the application of completion factors. This analysis does not include Plan expenses.

As indicated by the ratios of costs by premium class to the active employee cost, the costs by premium class bear a reasonably close relationship from year-to-year.

<b>Analysis of Incurred Claims Costs by Premium Class</b>					
	<b>CY13</b>	<b>CY14</b>	<b>CY15</b>	<b>CY16</b>	<b>CY17*</b>
<b>Monthly Cost</b>					
Employee	\$335	\$309	\$322	\$340	\$343
Spouse Only	\$759	\$748	\$689	\$684	\$711
Full Family	\$738	\$724	\$734	\$701	\$748
Children Only	\$307	\$282	\$323	\$327	\$325
Child Only	\$214	\$164	\$164	\$183	\$201
Disabled Retiree	\$2,889	\$2,811	\$2,488	\$2,784	\$2,765
Early Retiree	\$598	\$594	\$615	\$621	\$648
Retiree Spouse (Non-Medicare)	\$592	\$632	\$693	\$597	\$576
Retiree/Spouse Combined (Medicare)	\$151	\$146	\$152	\$153	\$160
<b>Annual Rate of Increase</b>					
Employee		-7.6%	4.2%	5.4%	0.9%
Spouse Only		-1.5%	-7.9%	-0.7%	4.0%
Full Family		-1.9%	1.4%	-4.5%	6.8%
Children Only		-8.1%	14.4%	1.2%	-0.7%
Child Only		-23.3%	0.4%	11.1%	10.3%
Disabled Retiree		-2.7%	-11.5%	11.9%	-0.7%
Early Retiree		-0.8%	3.6%	0.9%	4.3%
Retiree Spouse (Non-Medicare)		6.8%	9.5%	-13.8%	-3.6%
Retiree/Spouse Combined (Medicare)		-3.2%	3.9%	0.7%	4.8%
<b>Ratio to Employee Cost</b>					
Employee	1.00	1.00	1.00	1.00	1.00
Spouse Only	2.27	2.42	2.14	2.01	2.08
Full Family	2.20	2.34	2.28	2.06	2.18
Children Only	0.92	0.91	1.00	0.96	0.95
Child Only	0.64	0.53	0.51	0.54	0.59
Disabled Retiree	8.62	9.08	7.72	8.20	8.07
Early Retiree	1.79	1.92	1.91	1.83	1.89
Retiree Spouse (Non-Medicare)	1.77	2.04	2.15	1.76	1.68
Retiree/Spouse Combined (Medicare)	0.45	0.47	0.47	0.45	0.47
<i>* Based on estimates of outstanding claims as of 12/31/17.</i>					

## HEALTH INSURANCE EXPERIENCE (Continued)

### Retiree & Dependent Rate Subsidies

Historically, premium rates for retirees - and for most active dependent premium classes - have been set below true actuarial cost. In effect, the State subsidizes those premium classes. The experience of the Plan in CY17 was separated by premium class in order to evaluate the amount of those subsidies. In the tables below, Plan expenses were allocated in proportion to the number of employees and retirees; retiree life insurance gains were allocated to early retirees, i.e., for retirees for whom the Plan is Primary; and all interest income was allocated to active employees.

<b>CY17 Plan Subsidy Costs</b>				
	<u>Premiums</u>	<u>Claims</u>	<u>Expenses less Other Income</u>	<u>Gain (Loss)</u>
Active Dependents	\$103,499,163	(\$130,238,248)	(\$5,045,225)	(\$31,784,310)
COBRA Employees	4,410,121	(14,912,570)	(202,885)	(\$10,705,334)
Disabled Retirees - Plan Primary	1,051,267	(5,989,763)	(46,632)	(\$4,985,129)
Retirees - Plan Primary	52,263,076	(75,317,482)	(2,362,896)	(\$25,417,301)
Retirees - Medicare Primary	43,860,004	(38,068,875)	(4,286,570)	\$1,504,560
Disabled Retirees - Life Insurance	-	(417,937)	-	(417,937)
Subtotal - Subsidized Classes	\$205,083,630	(\$264,944,876)	(\$11,944,207)	(\$71,805,452)
Active Employees	\$518,185,842	(\$454,499,589)	(\$19,143,784)	\$44,542,469
Total Plan	\$723,269,472	(\$719,444,465)	(\$31,087,991)	(\$27,262,984)

The table below shows the average monthly subsidy cost (a) per active employee for each active employee who purchases dependent coverage and (b) per retiree for each retiree who purchases either retired employee only coverage or both retired employee and dependent coverage. This table illustrates the extent to which monthly premium rates would have to be increased for those employee subgroups in order to eliminate the Plan's subsidy cost. For example, during CY17 an average of 26,055 active employees (or 23.0% of active employees) covered one or more of their dependents. The State incurred an average monthly subsidy cost of \$101.66 for each of those active employees. Similarly, the State incurred an average monthly subsidy cost of \$248.58 for each early retiree who was not disabled.

<b>CY17 Plan Subsidy Costs per Active or Retired Employee</b>			
<u>Employee Subgroup</u>	<u>Average Employee Count</u>	<u>Total Plan Subsidy</u>	<u>Monthly Subsidy per Employee or Retiree</u>
Active Employees with Dependent Coverage	26,055	\$31,784,310	\$101.66
COBRA Employees	759	\$10,705,334	\$1,175.05
Disabled Retiree - Plan Primary	175	\$4,985,129	\$2,380.67
Retirees - Plan Primary	8,521	\$25,417,301	\$248.58
Retirees - Medicare Primary	16,041	(\$1,504,560)	(\$7.82)



## HEALTH INSURANCE EXPERIENCE (Continued)

### Retiree & Dependent Rate Subsidies (Continued)

The table that follows shows the CY17 subsidy costs represented as a *cost per active employee*. This table shows that monthly subsidy costs increased the Plan's monthly cost per active employee by \$52.77 in CY17.

Effect of Plan Subsidy Costs on Active Employee Premium Rate		
	CY17	
	Annual Costs	Monthly Cost per Active Employee
Total Active Employee Costs	\$473,643,373	\$348.05
Subsidy Costs for:		
COBRA Employees	10,705,334	7.87
Dependents of Active Employees	31,784,310	23.36
Disabled Retirees - Plan Primary	4,985,129	3.66
Retirees - Plan Primary	25,417,301	18.68
Retirees - Medicare Primary	(1,504,560)	(1.11)
Disabled Retirees - Life Insurance	417,937	0.31
Subtotal - Subsidy Costs	\$71,805,452	\$52.77
Total Current Year's Costs	\$545,448,825	\$400.82
less Current Costs Funded by Prior Year's Premium	(27,262,984)	(20.03)
Total Active Employee Premium Current Year	\$518,185,842	\$380.78

## CY17 PLAN CHANGES

### Select & Base Coverage Out-of-Pocket Limits

Effective January 1, 2017, Base Coverage and Select Coverage were modified as generally described in the charts below. Both coverage options now have a \$2,500 in-network medical coinsurance maximum and a \$6,500 combined in-network out-of-pocket limit (deductible(s), coinsurance, and copays).

<b>CY17 BASE COVERAGE</b>						
	Combined Deductible*	Medical Coinsurance	Medical Coinsurance Maximum	Drug Copays	Combined Out-of- Pocket Limit	
<b><u>Self Only Coverage</u></b>						
In Network	\$1,800	20%	\$2,500	\$12/\$45/\$70	\$6,500	
Out-of-Network	\$1,800	40%	\$3,500	\$12/\$45/\$70		
<b><u>Family Coverage</u></b>						
					Per Family	Each Person
In Network	\$3,000	20%	\$5,000	\$12/\$45/\$70	\$13,000	\$6,500
Out-of-Network	\$3,000	40%	\$7,000	\$12/\$45/\$70		
* Drugs on the HSA Preventive Drug list are subject only to a separate \$75 deductible.						

<b>CY17 SELECT COVERAGE</b>						
	Separate Medical Plan			Separate Drug Plan		Combined
	*Individual Medical Deductible	*Medical Coinsurance	Individual Coinsurance Maximum	Individual Drug Deductible	Drug Copays	Individual Out of Pocket Limit
In Network	\$1,000	20%	\$2,500	\$75	\$12/\$45/\$70	\$6,500
Out-of-Network	\$2,000	40%	\$3,500			
* PCP Copay Feature (In-Network Only) PCP office visit charges are not subject to the deductible. PCP office visit copay: \$25 (applies to the evaluation & management charge) PCP office visits charges other than the evaluation & management charge: 20% coinsurance						
Family Medical Deductibles are limited to 2 times the Individual Medical Deductibles. Family OOP Limits are limited to 2 times the Individual OOP Limits.						

### Base Coverage Preventive Drugs

Except for those drugs that are classified as preventive under ACA and are therefore covered at 100%, all other drugs under Base Coverage were previously subject to the combined medical and drug deductible of \$1,800 for Self Only Coverage and \$3,000 for Family Coverage. Effective January 1, 2017, drugs that appear on the Prime Therapeutics "HSA Preventive Drug" list (that do not also appear on the ACA Preventive Drug list) are not subject to the full combined medical and drug deductible. Rather, they are subject to a separate \$75 preventive drug deductible and normal drug copays. In 2017, Base and Select drug coverage are the same for these preventive drugs.

## **CY17 PLAN CHANGES (Continued)**

### **Preventive Wellness Services**

The Plan is required by ACA to cover all preventive services recommended by the United States Preventive Services Task Force (USPSTF), at no member cost sharing. Recently, the USPSTF removed or modified their recommended services, and the Board voted to change the list of preventive services that the Plan covers, at no member cost sharing, to conform with the recommended list (to the extent that the recommended changes are not inconsistent with other State law). The services removed or modified are still eligible for benefits, subject to the same rules and benefit provisions as other services. The Plan anticipates a savings of approximately \$1.6 million as a result of these changes.

### **Telemedicine**

The Plan added coverage for Telemedicine services beginning January 1, 2017. Basic Telemedicine services are subject to a \$10 copayment. Telemedicine is not subject to the deductible on Select coverage, but is subject to the deductible on Base coverage, as required by IRS rules for a qualified high deductible health plan.

## **CY18 PLAN CHANGES**

### **Drug Card Copays**

Effective January 1, 2018, the copay for non-preferred drugs and specialty drugs was increased from \$70 to \$100.

### **Elimination of the Visit Limit for Dietitian Services**

Previously, visits for nutritional counseling with an in-network registered dietitian were limited to four visits per calendar year. Effective January 1, 2018, this limit was eliminated. Based on current and anticipated utilization and allowable charges, the projected cost for removing the limit is expected to be minimal.

### **Telemedicine Benefit to Include Registered Dietitians**

Previously, benefits provided for telemedicine services were limited to basic primary care services. Effective January 1, 2018, benefits are also provided for telemedicine services provided by a registered dietitian. Benefits are subject to a \$10 copayment, with such being subject to the deductible for Base Coverage, but not subject to the deductible for Select Coverage.

### **100% Coverage in 2018 for a Generic Statin**

The United States Preventive Services Task Force (USPSTF) recommends that adults without a history of cardiovascular disease (CVD) (i.e., symptomatic coronary artery disease or ischemic stroke) use a low to moderate dose statin for the prevention of CVD events and mortality when all of the following criteria are met:

- (1) They are ages 40 to 75 years;
- (2) They have one or more CVD risk factors (i.e., dyslipidemia, diabetes, hypertension or smoking); and
- (3) They have a calculated 10-year risk of a cardiovascular event of 10 percent or greater.

The Plan now provides 100 percent coverage for a generic statin (Lovastatin) to comply with the ACA-mandated coverage.

## HISTORICAL HEALTH INSURANCE RATE INCREASES

### Summary of Active Employee Rate Increases from 1986 through January 2018

Year	Increase	Effective Date
1986	0%	
1987	0%	
1988	0%	
1989	6%	July 1, 1989
1990	10%	July 1, 1990
1991	20%	July 1, 1991
1992	25%	February 1, 1992
1993	5%	July 1, 1993
1994	0%	
1995	0%	
1996	0%	
1997	10%	July 1, 1997
1998	4.5%	July 1, 1998 (10% State Plan, 0% School Plan)
1999	9%	July 1, 1999 (3% State Plan, 14% School Plan)
2000	3%	January 1, 2000
	12%	July 1, 2000
2001	6%	July 1, 2001
2002	7%	July 1, 2002
2003	4%	July 1, 2003
2004	23%	July 1, 2004
2005	9%	July 1, 2005
2006	11%	July 1, 2006
2007	5%	July 1, 2007
2008	1.5%	July 1, 2008
2009	0%	
2010	0%	
2011	4.2%	January 1, 2011
2012-2018	0%	

As of 1/1/18, the above rate increase history is equivalent to a compound annual rate of:

- 4.8% for the last 20 years
- 0.5% for the last 10 years
- 0.0% for the last 5 years

### Dependent and Retiree Rate Increases

Rate increases for the last 8 years for dependents and retirees are illustrated in the Table below:

<b>Average Dependent &amp; Retiree Rate Increases</b>								
	1/1/11	1/1/12	1/1/13	1/1/14	1/1/15	1/1/16	1/1/17	1/1/18
Dependents of Active Employees	15%	0%	0%	0%	0%	0%	0%	0%
Non-Medicare Retirees	4%	0%	0%	0%	0%	0%	0%	0%
Dependents of Retired Employees	15%	0%	0%	0%	0%	0%	0%	0%
Medicare Retirees	15%	2%	0%	0%	0%	-5%	2%	0%

## **LIFE INSURANCE**

### **Current Life Insurance Contract**

The life insurance plan of the State has been insured with Minnesota Life Insurance Company since January 1, 2009. The life insurance policy with Minnesota Life limits the amount of life insurance premiums to the amount of claims actually paid, plus contractual administration charges, up to a stated premium maximum.

### **Life Insurance Benefits For Active Employees**

The amount of life insurance and accidental death benefit insurance currently available to active employees is equal to 2 times the employee's annual wage rounded to the next highest \$1,000, subject to a minimum of \$30,000 and a maximum of \$100,000. The current benefit level has been in effect since April 10, 1995.

### **Life Insurance Benefits - Employees of Public School Districts, Community/Junior Colleges, and Public Libraries**

Employees of public school districts, community/junior colleges, and public libraries were first eligible for life insurance benefits on the same basis as State employees, effective October 1, 1999. On October 1, 1999, any public school district, community/junior college, or public library could also elect to remain with an existing policy or policies of group life insurance approved by the Health Insurance Management Board. Legislation passed in 2004 gave those school districts, community/junior colleges and public libraries that previously elected to join the Plan the one-time right to secure life insurance on the same basis as those who opted out of the Plan on October 1, 1999. As a result of the 2004 legislation, life insurance premiums paid to the Plan reduced by about 15% in November 2004 for active employees and by about 13% for active and retired employees combined.

### **Life Insurance Benefits For Disabled Employees**

Employees who participate in the life insurance plan are covered by a waiver of contribution provision in the event of a covered disability. The life insurance benefit provided to disabled employees is equal to the amount of life insurance in effect at disability. The 50% contribution previously payable by the disabled employee is waived after a 9-month waiting period.

### **Life Insurance Benefits For Retired Employees**

Employees who retire under the State's Public Employees Retirement System are allowed to continue to participate in the life insurance plan after retirement. Since July 1, 1999, retirees have been allowed to select a benefit at retirement of \$5,000; \$10,000; or \$20,000. Retirees who retired between May 1, 1987, and June 30, 1999, were allowed to select a benefit at retirement of \$2,000; \$4,000; or \$10,000. Prior to May 1, 1987, retirees were limited to a \$2,000 benefit.

### **Life Insurance Premiums**

The premium contribution for active employees is paid 50% each by the employee and the State. Effective January 1, 2014, the premium rate was reduced by 25% from \$0.24 to \$0.18 per \$1,000 benefit. The \$0.24 premium rate had been in effect since October 1, 2004. Retired employees pay for 100% of the cost of life insurance and are charged a rate per \$1,000 that varies by attained age until age 70. (See the Table in the Appendix.) Retiree life insurance premium rates were also reduced as of January 1, 2014 for ages below attained age 70. Based on CY13 retiree enrollment, the new rates represented about a 7.6% reduction in retiree life insurance premiums.

## LIFE INSURANCE (Continued)

### Life Insurance Experience

Historical incurred life insurance experience, separated between active employees and retirees, appears in the table below. This analysis is based on calendar year results thru CY16, since the experience for CY17 is significantly incomplete. Claims paid thru December 2017 are allocated to the year in which the claim was incurred. Incurred death benefits shown below include an estimated residual claim liability of about \$48,000 for claims incurred in CY15 and \$255,000 for claims incurred in CY16; those amounts are allocated between active employees, disabled employees, and retirees in proportion to known claims. Administrative charges were allocated in proportion to premium contributions.

Comparison of "Premium" Contributions to Actual Insured Plan Costs					
	CY12	CY13	CY14	CY15	CY16
<b>Active Employees</b>					
Actual "Premium" Contributions	15,350,779	15,391,124	11,699,128	11,856,128	11,990,282
less Premiums to Insurer					
Death Benefits on Active Employees	7,745,195	9,145,408	9,429,732	10,304,500	9,774,796
Death Benefits on Disabled Employees	1,524,936	1,357,354	1,369,581	1,007,839	1,387,845
Administrative Charges	<u>565,964</u>	<u>790,049</u>	<u>560,280</u>	<u>563,347</u>	<u>562,418</u>
Total Premiums to Insurer	9,836,096	11,292,811	11,359,593	11,875,685	11,725,059
Net Addition to Plan Surplus	<u>5,514,683</u>	<u>4,098,313</u>	<u>339,535</u>	<u>-19,557</u>	<u>265,222</u>
Gain (Loss) Percent	35.9%	26.6%	2.9%	-0.2%	2.2%
<b>Retired Employees</b>					
"Premium" Contributions	4,313,077	4,595,443	4,539,666	4,842,076	5,138,598
less Premiums to Insurer					
Death Benefits	3,180,809	3,156,061	3,173,268	3,839,000	4,227,408
Administration Charges	<u>159,018</u>	<u>235,891</u>	<u>217,408</u>	<u>230,072</u>	<u>241,032</u>
Total Premiums to Insurer	3,339,827	3,391,951	3,390,676	4,069,073	4,468,440
Net Addition to Plan Surplus	<u>973,251</u>	<u>1,203,492</u>	<u>1,148,990</u>	<u>773,004</u>	<u>670,157</u>
Gain (Loss) Percent	22.6%	26.2%	25.3%	16.0%	13.0%
<b>Total Active &amp; Retired</b>					
"Premium" Contributions	19,663,856	19,986,568	16,238,794	16,698,204	17,128,879
Premiums to Insurer					
Death Benefits	12,450,940	13,658,823	13,972,580	15,151,339	15,390,049
Administration Charges	<u>724,982</u>	<u>1,025,940</u>	<u>777,688</u>	<u>793,419</u>	<u>803,450</u>
Total Premiums to Insurer	13,175,922	14,684,762	14,750,269	15,944,757	16,193,500
Net Addition to Plan Surplus	<u>6,487,934</u>	<u>5,301,805</u>	<u>1,488,525</u>	<u>753,447</u>	<u>935,380</u>
Gain (Loss) Percent	33.0%	26.5%	9.2%	4.5%	5.5%

## FUNDING POLICY

At the November 30, 2010 meeting of the Health Insurance Management Board, a formal funding policy for the Plan was adopted by the Board, as follows:

### Funding Policy

The State and School Employees Health Insurance Management Board shall endeavor to always hold assets sufficient to fully fund all liabilities for incurred administrative expenses, health insurance claims, and life insurance claims of the State and School Employees' Life and Health Insurance Plan. Incurred life and health insurance claims liabilities will include provision both for claims that have been reported and for claims that have not been reported. Claim liability estimates are recomputed on a periodic basis and are based on historical statistics related to the time it takes to fully adjudicate claims, and may be based, in part, on other factors such as inflation and participant counts. Due to the complex nature of the factors involved in the claims liability calculations, actual results may be more or less than the estimate.

Except to the extent that prior accumulated Plan surplus can perhaps be used to offset a portion of current or future costs, the Board shall endeavor to set, for any current or future period, premium rates and benefit structures such that Plan revenues and expenditures are essentially in actuarial balance for such current or future period. To the extent that benefit costs and expenses are in fact being funded by previously accumulated assets and not by premium rates that are sufficient for the remainder of the period to which the premium rates apply, the Plan shall establish a reserve based on actuarial projections for the amount of the premium deficiency.

Recognizing that claims cost estimates for past and future periods are subject to a degree of uncertainty, and therefore may exceed prior estimates, and recognizing that future Plan premium rate and benefit changes may not be able to be implemented on a schedule entirely consistent with the preceding funding objectives, the Board shall endeavor to always hold a reasonable amount of Plan surplus, with Plan surplus measured as the difference in Plan assets and Plan liabilities and reserves. For this purpose, the Board shall endeavor to hold Plan surplus in an amount at least equal to approximately one half ( $\frac{1}{2}$ ) of one month's Plan expenditures (based upon the average monthly expenditures for the last twelve months).

It should be pointed out that the funding policy described above does not address the issues raised by the implementation of GASB 45. In evaluating the extent to which existing or projected surplus of the Plan is necessary or sufficient, the funding policy should be periodically reviewed in conjunction with the most recent version of the "Report of the Actuary on the Other Postemployment Benefits Valuation" that has been submitted to the Board.



# PLAN PROJECTIONS

## Basic Projection Approach

Incurred medical and drug claims rates were projected forward on a semi-annual basis – by premium class – using assumptions for annual non-drug benefit trend and annual drug benefit trend. See the Appendix of this Report for a detailed description of those and other assumptions used in these projections.

## Non-Drug Benefit Trend

The basic annual trend assumption for non-drug benefits used in the following projections was 2%.

## Drug Benefit Trend

Net drug benefit trend, after rebates, was assumed to be 6.4% for CY18 and 6.7% for CY19 thru CY21.

## Plan Projections

Plan projections were prepared for the next 4 calendar years. The detailed Plan projections included in this Report include the following premium rate increase assumptions:

- Rate increases for non-Medicare premium rate classes of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21.
- Rate increases for Medicare primary premium rate classes of 2% on 1/1/19, 2% on 1/1/20, and 2% on 1/1/21.

Currently, the Plan's stated funding objective is to have surplus at least equal to  $\frac{1}{2}$  of one month's incurred expenses in the last year. Based on current claims cost trend assumptions, these rate increases are expected to reduce Plan surplus from its current relatively high level down to an amount close to the Plan's stated funding objective by the end of CY21.

## Medicare Retiree Rates and Horizon Non-Medicare Retiree Rates

The rate increases illustrated for Medicare primary premium classes are the current projected rate increases necessary to keep these premium classes on a breakeven basis. The actual rate increase recommendation as of 1/1/19 for these classes will appear in the FY18 Actuarial Report.

Horizon retiree rates will also need to be increased each year to keep their rates close to breakeven rates. Horizon non-Medicare retiree rates were increased for CY17 about 9% for retired employees and about 3% for spouses. The actual rate increase recommendation as of 1/1/19 for these classes will appear in the FY18 Actuarial Report. Very few Horizon retirees currently have coverage, and the effect of those rate increases have been disregarded in these projections.

## PLAN PROJECTIONS (Continued)

Summary Plan projections appear in the Table below. Detailed Plan projection appear on the pages that follow.

### SUMMARY PROJECTIONS (in Millions)

Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21

Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21

	Health Premium	Health Claims	Health Expense	Health Gain (Loss)	ACA Fees	Life Ins Gain & Interest	Total Gain (Loss)	Gain (Loss) as a % of Premium	Year End Projected Surplus	Year End Surplus Objective	Change in Surplus
CY17									\$228		
CY18	\$725	(\$744)	(\$38)	(\$58)	(\$0.4)	\$4	(\$54)	-7.5%	\$174	\$33	(\$54)
CY19	\$748	(\$769)	(\$39)	(\$60)	\$0.0	\$3	(\$56)	-7.5%	\$118	\$34	(\$56)
CY20	\$772	(\$794)	(\$40)	(\$62)	\$0.0	\$3	(\$60)	-7.7%	\$58	\$35	(\$60)
CY21	\$847	(\$821)	(\$41)	(\$15)	\$0.0	\$3	(\$13)	-1.5%	\$45	\$37	(\$13)
FY18									\$225		
FY19	\$737	(\$756)	(\$39)	(\$58)	(\$0.2)	\$4	(\$55)	-7.4%	\$170	\$34	(\$55)
FY20	\$760	(\$781)	(\$40)	(\$61)	\$0.0	\$3	(\$57)	-7.5%	\$113	\$35	(\$57)
FY21	\$810	(\$807)	(\$41)	(\$38)	\$0.0	\$3	(\$36)	-4.4%	\$77	\$36	(\$36)

#### TREND ASSUMPTIONS, NON-MEDICARE

	Medical	Drugs Prior to Rebates	Drug Rebates	Drugs After Rebates	Total*
CY18	2.00%	6.0%	4.6%	6.4%	3.0%
CY19	2.00%	6.0%	3.0%	6.7%	3.2%
CY20	2.00%	6.0%	3.0%	6.7%	3.2%
CY21	2.00%	6.0%	3.0%	6.7%	3.2%

#### RATE INCREASE ASSUMPTIONS

	Plan Primary	Medicare Primary
07/01/18		
01/01/19	3.0%	2%
07/01/19		
01/01/20	3.0%	2%
07/01/20		
01/01/21	10.0%	2%

\* Total including medical, drugs, and drug rebates.

### Discussion of Assumptions and their Effect on the Projections

These projections are based on cost trends and other assumptions that are difficult to predict and are subject to change due to unanticipated benefit changes or other fundamental changes that affect future costs.

The trend assumptions being used in this Report are less than those used in the Plan projections in prior reports and are less than those that were experienced just a few years ago. However, the annual cost trend assumptions being used are consistent with the cost trends experienced in those recent years in which significant operational or benefit changes did not occur, and the Plan currently does have a significant Plan surplus. To that extent, these assumptions appear to me to be reasonable.

It is also noted, however, that the Plan has periodically taken action to reduce costs. For example, in CY11 deductible and other benefit changes were implemented to reduce Plan costs. In CY14, significant cost reductions were achieved thru the introduction of the Blue Card network for out-of-state claims and enhancements in the AHS network for in-state claims.

Future operating results could be worse – or better – than projected. If experience worsens, rate increases higher than those shown in future years, or other Plan changes, could be required. If these projections prove to be conservative, future rate increases could perhaps be reduced or delayed, or Plan surplus in excess of that projected could still exist at the end of any of the projection periods shown.

**PROJECTED ASSETS, LIABILITIES, & FUNDING STATUS \***

Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21  
Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21

Mo	Yr	Total Plan Assets	Total Plan Liabilities	Assets less Liabilities
12	17	330,370,215	102,479,851	227,890,365
1	18	334,134,751	98,706,531	235,428,220
2	18	333,638,321	91,960,755	241,677,566
3	18	328,587,237	91,541,092	237,046,145
4	18	336,062,243	95,914,566	240,147,677
5	18	331,167,709	96,228,900	234,938,809
6	18	322,105,439	97,566,418	224,539,021
7	18	321,975,346	103,308,409	218,666,937
8	18	311,580,273	99,749,644	211,830,629
9	18	303,540,435	93,678,972	209,861,463
10	18	305,051,063	103,281,020	201,770,044
11	18	293,453,395	102,412,050	191,041,345
12	18	277,326,751	103,501,466	173,825,284
1	19	281,262,825	99,713,598	181,549,227
2	19	280,675,392	92,770,706	187,904,687
3	19	275,279,899	92,276,316	183,003,583
4	19	282,852,509	96,727,864	186,124,645
5	19	277,669,206	96,984,433	180,684,773
6	19	268,244,179	98,301,749	169,942,430
7	19	268,045,870	104,157,272	163,888,598
8	19	257,251,545	100,451,021	156,800,524
9	19	248,918,961	94,177,363	154,741,598
10	19	250,384,395	104,001,510	146,382,885
11	19	238,382,782	103,058,390	135,324,392
12	19	221,715,261	104,102,997	117,612,264
1	20	225,738,450	100,305,017	125,433,433
2	20	224,989,203	93,187,971	131,801,232
3	20	219,180,462	92,660,868	126,519,593
4	20	226,831,555	97,268,375	129,563,180
5	20	221,291,738	97,506,562	123,785,176
6	20	211,420,446	98,830,056	112,590,391
7	20	211,536,273	105,283,385	106,252,888
8	20	200,264,638	101,457,826	98,806,812
9	20	191,570,842	95,011,869	96,558,974
10	20	192,935,012	105,108,107	87,826,905
11	20	180,444,927	104,114,259	76,330,668
12	20	163,162,372	105,153,427	58,008,945
1	21	171,473,098	101,348,772	70,124,326
2	21	174,750,891	94,051,264	80,699,627
3	21	172,708,904	93,490,916	79,217,988
4	21	184,642,122	98,259,520	86,382,603
5	21	182,937,139	98,479,447	84,457,692
6	21	176,811,101	99,808,880	77,002,220
7	21	180,986,624	106,438,366	74,548,258
8	21	173,399,622	102,489,806	70,909,816
9	21	168,516,440	95,866,924	72,649,516
10	21	173,959,322	106,242,672	67,716,650
11	21	165,152,765	105,196,136	59,956,628
12	21	151,426,241	106,229,430	45,196,811

\* Prior to Applicable Premium Deficiency Reserves, if Any

**PROJECTED PLAN LIABILITIES \***

Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21

Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21

Mo	Yr	Health Clms Incurred But Not Reported	Drug Rebates Receivable	Health Claims Payable	Life Claims Incurred But Not Reported	Life Claims Payable	Advance less Due Premium	Expenses Payable	Accrued ACA Fees
12	17	81,324,738	-20,913,906	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	408,579
1	18	70,669,539	-14,067,437	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	443,989
2	18	67,425,902	-17,604,987	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	479,399
3	18	70,478,491	-21,112,648	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	514,809
4	18	67,884,239	-14,180,333	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	550,220
5	18	71,700,712	-17,717,882	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	585,630
6	18	76,510,235	-21,225,297	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	621,040
7	18	75,633,425	-14,233,327	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	247,871
8	18	75,629,470	-17,823,548	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	283,282
9	18	73,083,150	-21,383,310	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	318,692
10	18	75,657,818	-14,391,340	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	354,102
11	18	78,343,659	-17,981,561	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	389,512
12	18	82,957,427	-21,541,323	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	424,922
1	19	72,073,485	-14,445,249	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	424,922
2	19	68,774,269	-18,088,925	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	424,922
3	19	71,892,643	-21,701,689	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	424,922
4	19	69,248,118	-14,605,615	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	424,922
5	19	73,148,362	-18,249,291	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	424,922
6	19	78,078,442	-21,862,055	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	424,922
7	19	77,157,158	-14,660,327	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
8	19	77,148,835	-18,358,254	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
9	19	74,541,732	-22,024,809	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
10	19	77,164,150	-14,823,081	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
11	19	79,918,957	-18,521,008	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
12	19	84,630,120	-22,187,563	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
1	20	73,523,184	-14,878,607	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
2	20	70,159,124	-18,631,593	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
3	20	73,353,168	-22,352,740	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
4	20	70,651,718	-15,043,784	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
5	20	74,642,892	-18,796,770	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
6	20	79,687,532	-22,517,917	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
7	20	78,723,081	-15,100,137	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
8	20	78,706,387	-18,909,002	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
9	20	76,036,982	-22,685,553	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
10	20	78,715,440	-15,267,773	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
11	20	81,530,457	-19,076,638	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
12	20	86,346,177	-22,853,190	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
1	21	75,013,296	-15,324,965	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
2	21	71,581,364	-19,190,541	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
3	21	74,853,798	-23,023,322	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
4	21	72,094,177	-15,495,097	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
5	21	76,179,680	-19,360,673	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
6	21	81,341,895	-23,193,455	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
7	21	80,331,067	-15,553,141	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
8	21	80,305,637	-19,476,272	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
9	21	77,572,604	-23,366,120	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
10	21	80,308,038	-15,725,806	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
11	21	83,184,633	-19,648,937	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0
12	21	88,107,776	-23,538,786	15,369,602	4,643,018	1,152,138	16,846,355	3,649,328	0

\* Prior to Applicable Premium Deficiency Reserves, if Any

**PROJECTED INCURRED HEALTH INSURANCE COSTS**

Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21  
Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21

Mo	Yr	Health Premiums Incurred	Health Claims Incurred	Drug Rebates Incurred	Health Plan Expenses	ACA Fees Incurred	Health Gain (Loss) Incurred
1	18	60,621,138	-53,707,685	3,537,549	-3,215,666	-35,410	7,199,926
2	18	60,621,138	-54,997,487	3,537,549	-3,215,666	-35,410	5,910,124
3	18	60,621,138	-65,876,060	3,537,549	-3,215,666	-35,410	-4,968,449
4	18	60,621,138	-58,144,066	3,537,549	-3,215,666	-35,410	2,763,545
5	18	60,621,138	-66,455,486	3,537,549	-3,215,666	-35,410	-5,547,875
6	18	60,621,138	-71,640,884	3,537,549	-3,215,666	-35,410	-10,733,273
7	18	60,196,646	-66,762,694	3,590,221	-3,190,694	-35,410	-6,201,932
8	18	60,196,646	-67,722,753	3,590,221	-3,190,694	-35,410	-7,161,991
9	18	60,196,646	-62,848,316	3,590,221	-3,190,694	-35,410	-2,287,554
10	18	60,196,646	-68,967,987	3,590,221	-3,190,694	-35,410	-8,407,225
11	18	60,196,646	-71,601,275	3,590,221	-3,190,694	-35,410	-11,040,513
12	18	60,196,646	-78,077,666	3,590,221	-3,190,694	-35,410	-17,516,905
1	19	62,575,384	-55,494,795	3,643,676	-3,296,343	0	7,427,921
2	19	62,575,384	-56,864,602	3,643,676	-3,296,343	0	6,058,114
3	19	62,575,384	-68,118,799	3,643,676	-3,296,343	0	-5,196,082
4	19	62,575,384	-60,097,495	3,643,676	-3,296,343	0	2,825,222
5	19	62,575,384	-68,659,374	3,643,676	-3,296,343	0	-5,736,658
6	19	62,575,384	-73,956,064	3,643,676	-3,296,343	0	-11,033,348
7	19	62,140,982	-68,908,648	3,697,927	-3,271,291	0	-6,341,030
8	19	62,140,982	-69,938,540	3,697,927	-3,271,291	0	-7,370,921
9	19	62,140,982	-64,901,824	3,697,927	-3,271,291	0	-2,334,206
10	19	62,140,982	-71,198,894	3,697,927	-3,271,291	0	-8,631,276
11	19	62,140,982	-73,894,505	3,697,927	-3,271,291	0	-11,326,887
12	19	62,140,982	-80,536,796	3,697,927	-3,271,291	0	-17,969,178
1	20	64,556,478	-57,360,575	3,752,986	-3,379,768	0	7,569,121
2	20	64,556,478	-58,815,239	3,752,986	-3,379,768	0	6,114,457
3	20	64,556,478	-70,462,083	3,752,986	-3,379,768	0	-5,532,387
4	20	64,556,478	-62,137,586	3,752,986	-3,379,768	0	2,792,111
5	20	64,556,478	-70,960,013	3,752,986	-3,379,768	0	-6,030,316
6	20	64,556,478	-76,370,695	3,752,986	-3,379,768	0	-11,440,999
7	20	64,112,224	-71,146,287	3,808,865	-3,354,660	0	-6,579,857
8	20	64,112,224	-72,250,444	3,808,865	-3,354,660	0	-7,684,015
9	20	64,112,224	-67,044,308	3,808,865	-3,354,660	0	-2,477,879
10	20	64,112,224	-73,525,638	3,808,865	-3,354,660	0	-8,959,209
11	20	64,112,224	-76,285,403	3,808,865	-3,354,660	0	-11,718,974
12	20	64,112,224	-83,099,110	3,808,865	-3,354,660	0	-18,532,681
1	21	70,816,194	-59,309,186	3,865,576	-3,464,610	0	11,907,974
2	21	70,816,194	-60,853,852	3,865,576	-3,464,610	0	10,363,308
3	21	70,816,194	-72,911,281	3,865,576	-3,464,610	0	-1,694,121
4	21	70,816,194	-64,268,941	3,865,576	-3,464,610	0	6,948,219
5	21	70,816,194	-73,362,514	3,865,576	-3,464,610	0	-2,145,354
6	21	70,816,194	-78,889,975	3,865,576	-3,464,610	0	-7,672,815
7	21	70,326,197	-73,480,381	3,923,131	-3,439,483	0	-2,670,535
8	21	70,326,197	-74,663,509	3,923,131	-3,439,483	0	-3,853,664
9	21	70,326,197	-69,280,433	3,923,131	-3,439,483	0	1,529,412
10	21	70,326,197	-75,953,222	3,923,131	-3,439,483	0	-5,143,376
11	21	70,326,197	-78,779,046	3,923,131	-3,439,483	0	-7,969,200
12	21	70,326,197	-85,769,926	3,923,131	-3,439,483	0	-14,960,081

### PROJECTED PLAN CASH FLOWS

Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21

Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21

Mo	Yr	Premiums Less Expenses	Health Claims Paid, Net	Drug Rebates Received	ACA Imposed Fees Paid	Cash Flow Life	Interest Income	Net Cash Flow
1	18	57,405,472	-64,362,884	10,384,018	0	75,000	262,929	3,764,535
2	18	57,405,472	-58,241,124	0	0	75,000	264,222	-496,430
3	18	57,405,472	-62,823,471	29,888	0	75,000	262,027	-5,051,084
4	18	57,405,472	-60,738,318	10,469,865	0	75,000	262,986	7,475,005
5	18	57,405,472	-62,639,012	0	0	75,000	264,007	-4,894,533
6	18	57,405,472	-66,831,362	30,135	0	75,000	258,485	-9,062,270
7	18	57,005,951	-67,639,504	10,582,190	-408,579	75,000	254,848	-130,093
8	18	57,005,951	-67,726,707	0	0	75,000	250,683	-10,395,073
9	18	57,005,951	-65,394,636	30,458	0	75,000	243,389	-8,039,838
10	18	57,005,951	-66,393,319	10,582,190	0	75,000	240,805	1,510,628
11	18	57,005,951	-68,915,434	0	0	75,000	236,814	-11,597,668
12	18	57,005,951	-73,463,898	30,458	0	75,000	225,844	-16,126,644
1	19	59,279,041	-66,378,737	10,739,750	0	75,000	221,021	3,936,074
2	19	59,279,041	-60,163,819	0	0	75,000	222,346	-587,432
3	19	59,279,041	-65,000,425	30,912	0	75,000	219,979	-5,395,493
4	19	59,279,041	-62,742,020	10,739,750	0	75,000	220,840	7,572,610
5	19	59,279,041	-64,759,130	0	0	75,000	221,785	-5,183,304
6	19	59,279,041	-69,025,984	30,912	0	75,000	216,005	-9,425,026
7	19	58,869,691	-69,829,932	10,899,656	-424,922	75,000	212,197	-198,310
8	19	58,869,691	-69,946,863	0	0	75,000	207,848	-10,794,324
9	19	58,869,691	-67,508,927	31,372	0	75,000	200,280	-8,332,584
10	19	58,869,691	-68,576,476	10,899,656	0	75,000	197,563	1,465,434
11	19	58,869,691	-71,139,698	0	0	75,000	193,394	-12,001,613
12	19	58,869,691	-75,825,634	31,372	0	75,000	182,050	-16,667,520
1	20	61,176,710	-68,467,511	11,061,942	0	75,000	177,047	4,023,188
2	20	61,176,710	-62,179,299	0	0	75,000	178,342	-749,247
3	20	61,176,710	-67,268,038	31,839	0	75,000	175,748	-5,808,742
4	20	61,176,710	-64,839,035	11,061,942	0	75,000	176,477	7,651,094
5	20	61,176,710	-66,968,839	0	0	75,000	177,312	-5,539,817
6	20	61,176,710	-71,326,055	31,839	0	75,000	171,214	-9,871,292
7	20	60,757,564	-72,110,737	11,226,645	0	75,000	167,354	115,826
8	20	60,757,564	-72,267,139	0	0	75,000	162,940	-11,271,635
9	20	60,757,564	-69,713,713	32,313	0	75,000	155,040	-8,693,796
10	20	60,757,564	-70,847,180	11,226,645	0	75,000	152,140	1,364,169
11	20	60,757,564	-73,470,386	0	0	75,000	147,738	-12,490,084
12	20	60,757,564	-78,283,390	32,313	0	75,000	135,957	-17,282,555
1	21	67,351,584	-70,642,066	11,393,801	0	75,000	132,407	8,310,726
2	21	67,351,584	-64,285,784	0	0	75,000	136,993	3,277,793
3	21	67,351,584	-69,638,848	32,794	0	75,000	137,482	-2,041,988
4	21	67,351,584	-67,028,562	11,393,801	0	75,000	141,395	11,933,219
5	21	67,351,584	-69,277,010	0	0	75,000	145,443	-1,704,983
6	21	67,351,584	-73,727,761	32,794	0	75,000	142,344	-6,126,038
7	21	66,886,715	-74,491,208	11,563,445	0	75,000	141,572	4,175,523
8	21	66,886,715	-74,688,939	0	0	75,000	140,222	-7,587,002
9	21	66,886,715	-72,013,467	33,283	0	75,000	135,288	-4,883,182
10	21	66,886,715	-73,217,787	11,563,445	0	75,000	135,510	5,442,882
11	21	66,886,715	-75,902,451	0	0	75,000	134,179	-8,806,557
12	21	66,886,715	-80,846,784	33,283	0	75,000	125,263	-13,726,524

**CY18 PROJECTED PLAN EXPERIENCE**

**Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21  
Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21**

CLASS	Active/ Retired	Avg Count	Prem	Rate	Prem	Rate	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
		01/01/18	Rate*	Rate	Rate*	Rate					
		12/31/18	01/01/18	01/01/18	07/01/18	07/01/18					
Employee	Active	114,162	\$376	0.0%	\$376	0.0%	522,260,291	-483,600,691	-26,173,077	12,486,523	2%
Spouse Only	Active	4,063	\$443	0.0%	\$443	0.0%	21,257,760	-35,736,900	-1,065,333	-15,544,473	-73%
Full Family	Active	5,071	\$647	0.0%	\$647	0.0%	38,946,927	-46,971,682	-1,951,825	-9,976,580	-26%
Children Only	Act/Ret	7,218	\$312	0.0%	\$312	0.0%	26,419,287	-28,955,822	-1,324,003	-3,860,537	-15%
Child Only	Act/Ret	10,403	\$155	0.0%	\$155	0.0%	18,479,547	-25,865,854	-926,103	-8,312,409	-45%
Disabled Employee	Retired	175	\$432	0.0%	\$432	0.0%	904,608	-5,978,695	-48,057	-5,122,145	-566%
Employee	Retired	8,521	\$432	0.0%	\$432	0.0%	44,172,000	-68,404,256	-2,033,918	-26,266,174	-59%
Spouse Only	Retired	1,195	\$509	0.0%	\$509	0.0%	7,298,042	-8,531,748	-253,681	-1,487,387	-20%
Full Family	Retired	202	\$744	0.0%	\$744	0.0%	1,804,572	-1,670,064	-49,657	84,850	5%
Family (1 On Medicare)	Retired	57	\$339	0.0%	\$339	0.0%	230,351	-315,493	-9,381	-94,523	-41%
Spouse Only (Medicare)	Retired	2,821	\$184	0.0%	\$184	0.0%	6,228,072	-5,673,279	-664,651	-109,857	-2%
Employee (Medicare)	Retired	16,714	\$184	0.0%	\$184	0.0%	36,905,243	-32,331,256	-3,938,476	635,512	2%
Total Health Insurance							724,906,702	-744,035,738	-38,438,163	-57,567,200	-7.9%
<b>RECAP BY SUBGROUP</b>											
Active Employees							522,260,291	-483,600,691	-26,173,077	12,486,523	2%
Dependents Of Active Employees							105,103,522	-137,530,258	-5,267,264	-37,693,999	-36%
Disabled Retirees (Regular)							904,608	-5,978,695	-48,057	-5,122,145	-566%
Retirees & Dependents (Regular)							53,504,965	-78,921,560	-2,346,638	-27,763,233	-52%
Retirees & Spouse Only (Medicare)							43,133,316	-38,004,534	-4,603,127	525,655	1%
Total Health Insurance							724,906,702	-744,035,738	-38,438,163	-57,567,200	-7.9%
Life Insurance Gain										900,000	
Interest Income										3,027,041	
ACA Imposed Fees										-424,922	
Total Gain (Loss)										-54,065,080	-7.5%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										227,890,365	
Change In Surplus										-54,065,080	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										173,825,284	
<b>Active Employee Premium Summary</b>											
Employer Contributions							484,458,684				
Employee Contributions							34,259,365				
COBRA Premiums							3,542,242				
Total Active Employee Premium							522,260,291				

\* The active employee premium rate shown is for Legacy employees who choose Select coverage.

**CY19 PROJECTED PLAN EXPERIENCE**

**Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21  
Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21**

CLASS	Active/ Retired	Avg Count 01/01/19 12/31/19	Prem Rate* 01/01/19	Rate Incr 01/01/19	Prem Rate* 07/01/19	Rate Incr 07/01/19	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain
											Gain
											Rate
Employee	Active	114,162	\$387	2.9%	\$387	0.0%	538,370,299	-498,716,238	-26,706,188	12,947,872	2%
Spouse Only	Active	4,063	\$456	2.9%	\$456	0.0%	21,867,615	-36,867,270	-1,084,756	-16,084,412	-74%
Full Family	Active	5,071	\$666	2.9%	\$666	0.0%	40,073,235	-48,480,170	-1,987,857	-10,394,792	-26%
Children Only	Act/Ret	7,218	\$321	2.9%	\$321	0.0%	27,156,276	-29,823,242	-1,347,104	-4,014,070	-15%
Child Only	Act/Ret	10,403	\$160	3.2%	\$160	0.0%	19,042,442	-26,617,280	-944,612	-8,519,451	-45%
Disabled Employee	Retired	175	\$445	3.0%	\$445	0.0%	931,830	-6,177,575	-49,021	-5,294,765	-568%
Employee	Retired	8,521	\$445	3.0%	\$445	0.0%	45,501,250	-70,717,021	-2,074,367	-27,290,138	-60%
Spouse Only	Retired	1,195	\$524	2.9%	\$524	0.0%	7,513,112	-8,825,394	-258,878	-1,571,161	-21%
Full Family	Retired	202	\$765	2.8%	\$765	0.0%	1,855,508	-1,734,257	-50,872	70,379	4%
Family (1 On Medicare)	Retired	57	\$348	2.7%	\$348	0.0%	236,466	-325,772	-9,556	-98,862	-42%
Spouse Only (Medicare)	Retired	2,863	\$188	2.2%	\$188	0.0%	6,458,917	-5,873,546	-690,727	-105,355	-2%
Employee (Medicare)	Retired	17,416	\$188	2.2%	\$188	0.0%	39,291,248	-34,362,952	-4,201,869	726,427	2%
Total Health Insurance							748,298,198	-768,520,719	-39,405,807	-59,628,328	-8.0%
<b>RECAP BY SUBGROUP</b>											
Active Employees							538,370,299	-498,716,238	-26,706,188	12,947,872	2%
Dependents Of Active Employees							108,139,568	-141,787,963	-5,364,329	-39,012,724	-36%
Disabled Retirees (Regular)							931,830	-6,177,575	-49,021	-5,294,765	-568%
Retirees & Dependents (Regular)							55,106,336	-81,602,445	-2,393,673	-28,889,782	-52%
Retirees & Spouse Only (Medicare)							45,750,165	-40,236,497	-4,892,596	621,071	1%
Total Health Insurance							748,298,198	-768,520,719	-39,405,807	-59,628,328	-8.0%
Life Insurance Gain										900,000	
Interest Income										2,515,308	
ACA Imposed Fees										0	
Total Gain (Loss)										-56,213,020	-7.5%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										173,825,284	
Change In Surplus										-56,213,020	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										117,612,264	
<b>Active Employee Premium Summary</b>											
Employer Contributions							499,427,913				
Employee Contributions							35,290,874				
COBRA Premiums							3,651,513				
Total Active Employee Premium							538,370,299				

\* The active employee premium rate shown is for Legacy employees who choose Select coverage.



**CY20 PROJECTED PLAN EXPERIENCE**

**Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21**

**Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21**

CLASS	Active/ Retired	Avg Count	Prem	Rate	Prem	Rate	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
		01/01/20	Rate*	Rate*	Rate*						
		12/31/20	01/01/20	01/01/20	07/01/20						
Employee	Active	114,162	\$398	2.8%	\$398	0.0%	554,539,497	-514,469,297	-27,243,221	12,826,979	2%
Spouse Only	Active	4,063	\$470	3.1%	\$470	0.0%	22,525,411	-38,045,841	-1,106,620	-16,627,050	-74%
Full Family	Active	5,071	\$686	3.0%	\$686	0.0%	41,259,383	-50,053,870	-2,026,976	-10,821,463	-26%
Children Only	Act/Ret	7,218	\$331	3.1%	\$331	0.0%	27,978,434	-30,725,763	-1,374,515	-4,121,844	-15%
Child Only	Act/Ret	10,403	\$165	3.1%	\$165	0.0%	19,603,260	-27,398,152	-963,062	-8,757,954	-45%
Disabled Employee	Retired	175	\$457	2.7%	\$457	0.0%	956,958	-6,385,316	-50,005	-5,478,362	-572%
Employee	Retired	8,521	\$457	2.7%	\$457	0.0%	46,728,250	-73,134,213	-2,115,685	-28,521,648	-61%
Spouse Only	Retired	1,195	\$541	3.2%	\$541	0.0%	7,756,858	-9,132,489	-264,192	-1,639,823	-21%
Full Family	Retired	202	\$789	3.1%	\$789	0.0%	1,913,720	-1,801,631	-52,119	59,970	3%
Family (1 On Medicare)	Retired	57	\$357	2.6%	\$357	0.0%	242,582	-336,501	-9,735	-103,654	-43%
Spouse Only (Medicare)	Retired	2,906	\$192	2.1%	\$192	0.0%	6,695,286	-6,080,882	-717,789	-103,385	-2%
Employee (Medicare)	Retired	18,148	\$192	2.1%	\$192	0.0%	41,812,575	-36,522,320	-4,482,650	807,606	2%
Total Health Insurance							772,012,213	-794,086,274	-40,406,568	-62,480,629	-8.1%
<b>RECAP BY SUBGROUP</b>											
Active Employees							554,539,497	-514,469,297	-27,243,221	12,826,979	2%
Dependents Of Active Employees							111,366,488	-146,223,625	-5,471,173	-40,328,311	-36%
Disabled Retirees (Regular)							956,958	-6,385,316	-50,005	-5,478,362	-572%
Retirees & Dependents (Regular)							56,641,409	-84,404,834	-2,441,730	-30,205,155	-53%
Retirees & Spouse Only (Medicare)							48,507,862	-42,603,201	-5,200,439	704,221	1%
Total Health Insurance							772,012,213	-794,086,274	-40,406,568	-62,480,629	-8.1%
Life Insurance Gain										900,000	
Interest Income										1,977,309	
ACA Imposed Fees										0	
Total Gain (Loss)										-59,603,319	-7.7%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										117,612,264	
Change In Surplus										-59,603,319	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										58,008,945	
<b>Active Employee Premium Summary</b>											
Employer Contributions							514,397,142				
Employee Contributions							36,381,171				
COBRA Premiums							3,761,184				
Total Active Employee Premium							554,539,497				

\* The active employee premium rate shown is for Legacy employees who choose Select coverage.

**CY21 PROJECTED PLAN EXPERIENCE**

**Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21  
Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21**

CLASS	Active/ Retired	Avg Count 01/01/21 12/31/21	Prem	Rate	Prem	Rate	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
			Rate*	Rate*	Rate*	Rate*					
			01/01/21	01/01/21	07/01/21	07/01/21					
Employee	Active	114,162	\$436	9.5%	\$436	0.0%	609,798,385	-530,892,988	-27,778,541	51,126,856	8%
Spouse Only	Active	4,063	\$517	10.0%	\$517	0.0%	24,763,640	-39,275,132	-1,128,074	-15,639,566	-63%
Full Family	Active	5,071	\$755	10.1%	\$755	0.0%	45,391,798	-51,696,214	-2,067,762	-8,372,178	-18%
Children Only	Act/Ret	7,218	\$364	10.0%	\$364	0.0%	30,742,191	-31,665,167	-1,400,419	-2,323,395	-8%
Child Only	Act/Ret	10,403	\$182	10.3%	\$182	0.0%	21,589,356	-28,209,933	-983,474	-7,604,050	-35%
Disabled Employee	Retired	175	\$501	9.6%	\$501	0.0%	1,049,094	-6,602,391	-50,989	-5,604,286	-534%
Employee	Retired	8,521	\$501	9.6%	\$501	0.0%	51,227,250	-75,661,454	-2,156,986	-26,591,190	-52%
Spouse Only	Retired	1,195	\$594	9.8%	\$594	0.0%	8,516,772	-9,453,760	-269,511	-1,206,500	-14%
Full Family	Retired	202	\$868	10.0%	\$868	0.0%	2,105,334	-1,872,363	-53,378	179,593	9%
Family (1 On Medicare)	Retired	57	\$378	5.9%	\$378	0.0%	256,851	-347,704	-9,912	-100,766	-39%
Spouse Only (Medicare)	Retired	2,950	\$196	2.1%	\$196	0.0%	6,937,293	-6,295,537	-745,562	-103,806	-1%
Employee (Medicare)	Retired	18,910	\$196	2.1%	\$196	0.0%	44,476,385	-38,817,382	-4,779,948	879,055	2%
Total Health Insurance							846,854,349	-820,790,025	-41,424,557	-15,360,232	-1.8%
<b>RECAP BY SUBGROUP</b>											
Active Employees							609,798,385	-530,892,988	-27,778,541	51,126,856	8%
Dependents Of Active Employees							122,486,985	-150,846,445	-5,579,729	-33,939,189	-28%
Disabled Retirees (Regular)							1,049,094	-6,602,391	-50,989	-5,604,286	-534%
Retirees & Dependents (Regular)							62,106,207	-87,335,282	-2,489,788	-27,718,863	-45%
Retirees & Spouse Only (Medicare)							51,413,678	-45,112,919	-5,525,510	775,249	2%
Total Health Insurance							846,854,349	-820,790,025	-41,424,557	-15,360,232	-1.8%
Life Insurance Gain										900,000	
Interest Income										1,648,098	
ACA Imposed Fees										0	
Total Gain (Loss)										-12,812,134	-1.5%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										58,008,945	
Change In Surplus										-12,812,134	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										45,196,811	
<b>Active Employee Premium Summary</b>											
Employer Contributions							566,109,024				
Employee Contributions							39,553,366				
COBRA Premiums							4,135,995				
Total Active Employee Premium							609,798,385				

\* The active employee premium rate shown is for Legacy employees who choose Select coverage.

**FY19 PROJECTED PLAN EXPERIENCE**

**Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21  
Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21**

CLASS	Active/ Retired	Avg Count	Prem	Rate	Prem	Rate	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
		07/01/18	Rate*	Rate	Rate*	Rate					
		06/30/19	07/01/18	07/01/18	01/01/19	01/01/19					
Employee	Active	114,162	\$376	0.0%	\$387	2.9%	530,374,589	-490,799,269	-26,442,242	13,133,078	2%
Spouse Only	Active	4,063	\$443	0.0%	\$456	2.9%	21,567,777	-36,285,445	-1,075,279	-15,792,946	-73%
Full Family	Active	5,071	\$647	0.0%	\$666	2.9%	39,507,532	-47,676,881	-1,969,679	-10,139,028	-26%
Children Only	Act/Ret	7,218	\$312	0.0%	\$321	2.9%	26,784,771	-29,365,524	-1,335,376	-3,916,129	-15%
Child Only	Act/Ret	10,403	\$155	0.0%	\$160	3.2%	18,760,472	-26,230,423	-935,318	-8,405,269	-45%
Disabled Employee	Retired	175	\$432	0.0%	\$445	3.0%	918,219	-6,065,202	-48,539	-5,195,521	-566%
Employee	Retired	8,521	\$432	0.0%	\$445	3.0%	44,826,095	-69,470,254	-2,053,746	-26,697,905	-60%
Spouse Only	Retired	1,195	\$509	0.0%	\$524	2.9%	7,404,460	-8,666,411	-256,205	-1,518,156	-21%
Full Family	Retired	202	\$744	0.0%	\$765	2.8%	1,829,499	-1,703,301	-50,355	75,844	4%
Family (1 On Medicare)	Retired	57	\$339	0.0%	\$348	2.7%	233,195	-320,572	-9,477	-96,855	-42%
Spouse Only (Medicare)	Retired	2,842	\$184	0.0%	\$188	2.2%	6,342,585	-5,772,791	-677,582	-107,789	-2%
Employee (Medicare)	Retired	17,061	\$184	0.0%	\$188	2.2%	38,082,983	-33,412,369	-4,068,428	602,187	2%
Total Health Insurance							736,632,177	-755,768,442	-38,922,225	-58,058,490	-7.9%
<b>RECAP BY SUBGROUP</b>											
Active Employees							530,374,589	-490,799,269	-26,442,242	13,133,078	2%
Dependents Of Active Employees							106,620,553	-139,558,273	-5,315,652	-38,253,372	-36%
Disabled Retirees (Regular)							918,219	-6,065,202	-48,539	-5,195,521	-566%
Retirees & Dependents (Regular)							54,293,248	-80,160,537	-2,369,782	-28,237,072	-52%
Retirees & Spouse Only (Medicare)							44,425,568	-39,185,160	-4,746,010	494,398	1%
Total Health Insurance							736,632,177	-755,768,442	-38,922,225	-58,058,490	-7.9%
Life Insurance Gain										900,000	
Interest Income										2,774,360	
ACA Imposed Fees										-212,461	
Total Gain (Loss)										-54,596,591	-7.4%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										224,539,021	
Change In Surplus										-54,596,591	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										169,942,430	
<b>Active Employee Premium Summary</b>											
Employer Contributions							492,008,540				
Employee Contributions							34,776,077				
COBRA Premiums							3,589,972				
Total Active Employee Premium							530,374,589				

\* The active employee premium rate shown is for Legacy employees who choose Select coverage.

**FY20 PROJECTED PLAN EXPERIENCE**

**Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21  
Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21**

CLASS	Active/ Retired	Avg Count	Prem	Rate	Prem	Rate	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
		07/01/19	Rate*	Rate*	Rate*						
		06/30/20	07/01/19	07/01/19	01/01/20	01/01/20					
Employee	Active	114,162	\$387	0.0%	\$398	2.8%	546,514,422	-506,222,522	-26,977,339	13,314,561	2%
Spouse Only	Active	4,063	\$456	0.0%	\$470	3.1%	22,201,999	-37,439,306	-1,095,947	-16,333,254	-74%
Full Family	Active	5,071	\$666	0.0%	\$686	3.0%	40,663,622	-49,216,755	-2,007,260	-10,560,393	-26%
Children Only	Act/Ret	7,218	\$321	0.0%	\$331	3.1%	27,563,986	-30,249,425	-1,360,628	-4,046,067	-15%
Child Only	Act/Ret	10,403	\$160	0.0%	\$165	3.1%	19,322,331	-26,996,246	-953,799	-8,627,714	-45%
Disabled Employee	Retired	175	\$445	0.0%	\$457	2.7%	944,394	-6,268,221	-49,513	-5,373,340	-569%
Employee	Retired	8,521	\$445	0.0%	\$457	2.7%	46,105,030	-71,832,201	-2,094,618	-27,821,789	-60%
Spouse Only	Retired	1,195	\$524	0.0%	\$541	3.2%	7,633,719	-8,966,367	-261,458	-1,594,107	-21%
Full Family	Retired	202	\$765	0.0%	\$789	3.1%	1,883,996	-1,769,214	-51,590	63,191	3%
Family (1 On Medicare)	Retired	57	\$348	0.0%	\$357	2.6%	239,310	-331,088	-9,654	-101,432	-42%
Spouse Only (Medicare)	Retired	2,884	\$188	0.0%	\$192	2.1%	6,576,170	-5,976,571	-704,148	-104,550	-2%
Employee (Medicare)	Retired	17,777	\$188	0.0%	\$192	2.1%	40,535,784	-35,512,002	-4,340,400	683,382	2%
Total Health Insurance							760,184,762	-780,779,918	-39,906,356	-60,501,511	-8%
<b>RECAP BY SUBGROUP</b>											
Active Employees							546,514,422	-506,222,522	-26,977,339	13,314,561	2%
Dependents Of Active Employees							109,751,938	-143,901,732	-5,417,634	-39,567,428	-36%
Disabled Retirees (Regular)							944,394	-6,268,221	-49,513	-5,373,340	-569%
Retirees & Dependents (Regular)							55,862,054	-82,898,870	-2,417,321	-29,454,136	-53%
Retirees & Spouse Only (Medicare)							47,111,953	-41,488,573	-5,044,549	578,832	1%
Total Health Insurance							760,184,762	-780,779,918	-39,906,356	-60,501,511	-8.0%
Life Insurance Gain										900,000	
Interest Income										2,249,472	
ACA Imposed Fees										0	
Total Gain (Loss)										-57,352,040	-7.5%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										169,942,430	
Change In Surplus										-57,352,040	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										112,590,391	
<b>Active Employee Premium Summary</b>											
Employer Contributions							506,977,769				
Employee Contributions							35,837,236				
COBRA Premiums							3,699,418				
Total Active Employee Premium							546,514,422				

\* The active employee premium rate shown is for Legacy employees who choose Select coverage.

**FY21 PROJECTED PLAN EXPERIENCE**

**Based on Non-Medicare Rate Increases of 3% on 1/1/19, 3% on 1/1/20, and 10% on 1/1/21  
Based on Medicare Rate Increases of 2% on 1/1/19, 1/1/20, and 1/1/21**

CLASS	Active/ Retired	Avg Count 07/01/20 06/30/21	Prem Rate* 07/01/20	Rate Incr 07/01/20	Prem Rate* 01/01/21	Rate Incr 01/01/21	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
Employee	Active	114,162	\$398	0.0%	\$436	9.5%	582,370,293	-522,299,393	-27,514,710	32,556,190	6%
Spouse Only	Active	4,063	\$470	0.0%	\$517	10.0%	23,663,174	-38,642,598	-1,117,992	-16,097,417	-68%
Full Family	Active	5,071	\$686	0.0%	\$755	10.1%	43,316,198	-50,823,519	-2,046,520	-9,553,841	-22%
Children Only	Act/Ret	7,218	\$331	0.0%	\$364	10.0%	29,348,957	-31,169,260	-1,386,623	-3,206,925	-11%
Child Only	Act/Ret	10,403	\$165	0.0%	\$182	10.3%	20,594,400	-27,792,233	-973,005	-8,170,838	-40%
Disabled Employee	Retired	175	\$457	0.0%	\$501	9.6%	1,003,026	-6,480,331	-50,497	-5,527,802	-551%
Employee	Retired	8,521	\$457	0.0%	\$501	9.6%	48,942,110	-74,301,252	-2,135,923	-27,495,064	-56%
Spouse Only	Retired	1,195	\$541	0.0%	\$594	9.8%	8,132,867	-9,280,116	-266,774	-1,414,023	-17%
Full Family	Retired	202	\$789	0.0%	\$868	10.0%	2,007,493	-1,838,406	-52,848	116,238	6%
Family (1 On Medicare)	Retired	57	\$357	0.0%	\$378	5.9%	249,218	-342,067	-9,833	-102,682	-41%
Spouse Only (Medicare)	Retired	2,928	\$192	0.0%	\$196	2.1%	6,815,335	-6,187,544	-731,563	-103,772	-2%
Employee (Medicare)	Retired	18,524	\$192	0.0%	\$196	2.1%	43,127,441	-37,743,576	-4,629,332	754,533	2%
Total Health Insurance							809,570,511	-806,900,294	-40,915,620	-38,245,404	-5%
<b>RECAP BY SUBGROUP</b>											
Active Employees							582,370,293	-522,299,393	-27,514,710	32,556,190	6%
Dependents Of Active Employees							116,922,729	-148,427,610	-5,524,140	-37,029,021	-32%
Disabled Retirees (Regular)							1,003,026	-6,480,331	-50,497	-5,527,802	-551%
Retirees & Dependents (Regular)							59,331,687	-85,761,841	-2,465,378	-28,895,532	-49%
Retirees & Spouse Only (Medicare)							49,942,776	-43,931,120	-5,360,895	650,761	1%
Total Health Insurance							809,570,511	-806,900,294	-40,915,620	-38,245,404	-4.7%
Life Insurance Gain										900,000	
Interest Income										1,757,234	
ACA Imposed Fees										0	
Total Gain (Loss)										-35,588,170	-4.4%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										112,590,391	
Change In Surplus										-35,588,170	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										77,002,220	
<b>Active Employee Premium Summary</b>											
Employer Contributions							540,478,461				
Employee Contributions							37,966,942				
COBRA Premiums							3,924,890				
Total Active Employee Premium							582,370,293				

\* The active employee premium rate shown is for Legacy employees who choose Select coverage.

## PLAN PROJECTIONS (Continued)

### Premium Deficiency Reserves

Currently, the Plan has surplus funds (the excess of Plan assets over Plan liabilities) that are significantly higher than the Plan's stated funding objective. However, current rates are expected to be deficient in CY18 and projected rates with a 3% rate increase are expected to be deficient in CY19, with a significant amount of costs expected to be paid from previously accumulated Plan surplus. To that extent, it might be appropriate that the Plan recognize, on its internal financial statements, a reserve to reflect that premium deficiency.

The following projected premium deficiency reserves assume that the projected rate increases for CY19 are implemented on January 1, 2019. If rate increases are implemented in a different amount or at a different time, the following chart of projected premium deficiency reserves would have to be updated.

### Projected Premium Deficiency Reserves Based on Current Rates & Assuming a 3% Rate Increase on 1/1/19 In Millions

Mo	Yr	Assets less Liabilities	Premium Deficiency Reserve			Projected Surplus After PD Reserve
			CY18 Rates	CY19 Rates	Total	
12	17	\$227.9	\$54.1	\$56.2	\$110.3	\$117.6
1	18	\$235.4	\$61.6	\$56.2	\$117.8	\$117.6
2	18	\$241.7	\$67.9	\$56.2	\$124.1	\$117.6
3	18	\$237.0	\$63.2	\$56.2	\$119.4	\$117.6
4	18	\$240.1	\$66.3	\$56.2	\$122.5	\$117.6
5	18	\$234.9	\$61.1	\$56.2	\$117.3	\$117.6
6	18	\$224.5	\$50.7	\$56.2	\$106.9	\$117.6
7	18	\$218.7	\$44.8	\$56.2	\$101.1	\$117.6
8	18	\$211.8	\$38.0	\$56.2	\$94.2	\$117.6
9	18	\$209.9	\$36.0	\$56.2	\$92.2	\$117.6
10	18	\$201.8	\$27.9	\$56.2	\$84.2	\$117.6
11	18	\$191.0	\$17.2	\$56.2	\$73.4	\$117.6
12	18	\$173.8	\$0.0	\$56.2	\$56.2	\$117.6
1	19	\$181.5	\$0.0	\$63.9	\$63.9	\$117.6
2	19	\$187.9	\$0.0	\$70.3	\$70.3	\$117.6
3	19	\$183.0	\$0.0	\$65.4	\$65.4	\$117.6
4	19	\$186.1	\$0.0	\$68.5	\$68.5	\$117.6
5	19	\$180.7	\$0.0	\$63.1	\$63.1	\$117.6
6	19	\$169.9	\$0.0	\$52.3	\$52.3	\$117.6
7	19	\$163.9	\$0.0	\$46.3	\$46.3	\$117.6
8	19	\$156.8	\$0.0	\$39.2	\$39.2	\$117.6
9	19	\$154.7	\$0.0	\$37.1	\$37.1	\$117.6
10	19	\$146.4	\$0.0	\$28.8	\$28.8	\$117.6
11	19	\$135.3	\$0.0	\$17.7	\$17.7	\$117.6
12	19	\$117.6	\$0.0	\$0.0	\$0.0	\$117.6

## PLAN PROJECTIONS (Continued)

### Analysis of Projected and Incurred Claims Costs by Premium Class

Following is an analysis of estimated incurred claims for CY17 versus those projected for CY18 thru CY21.

<b>Analysis of Projected Incurred Claims Costs by Premium Class</b>					
	<b>CY17*</b>	<b>CY18</b>	<b>CY19</b>	<b>CY20</b>	<b>CY21</b>
<b>Monthly Cost</b>					
Employee	\$343	\$353	\$364	\$376	\$388
Spouse Only	\$711	\$733	\$756	\$780	\$806
Full Family	\$749	\$772	\$797	\$823	\$850
Children Only	\$325	\$334	\$344	\$355	\$366
Child Only	\$202	\$207	\$213	\$219	\$226
Disabled Retiree	\$2,767	\$2,855	\$2,950	\$3,049	\$3,153
Early Retiree	\$648	\$669	\$692	\$715	\$740
Retiree/Spouse Combined (Medicare)	\$159	\$162	\$165	\$169	\$172
<b>Annual Rate of Increase</b>					
Employee		3.0%	3.1%	3.2%	3.2%
Spouse Only		3.0%	3.2%	3.2%	3.2%
Full Family		3.1%	3.2%	3.2%	3.3%
Children Only		2.9%	3.0%	3.0%	3.1%
Child Only		2.8%	2.9%	2.9%	3.0%
Disabled Retiree		3.2%	3.3%	3.4%	3.4%
Early Retiree		3.2%	3.4%	3.4%	3.5%
Retiree/Spouse Combined (Medicare)		2.0%	2.0%	2.0%	2.0%
<b>Ratio to Employee Cost</b>					
Employee	1.00	1.00	1.00	1.00	1.00
Spouse Only	2.08	2.08	2.08	2.08	2.08
Full Family	2.19	2.19	2.19	2.19	2.19
Children Only	0.95	0.95	0.95	0.94	0.94
Child Only	0.59	0.59	0.59	0.58	0.58
Disabled Retiree	8.07	8.09	8.10	8.12	8.14
Early Retiree	1.89	1.90	1.90	1.90	1.91
Retiree/Spouse Combined (Medicare)	0.46	0.46	0.45	0.45	0.44
* Based on estimates of outstanding claims as of 12/31/17.					

## POSTEMPLOYMENT BENEFITS

### **Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions**

Under the present State law that governs the Plan, all retirees are required to pay 100% of their premiums.

The premium rates and benefit costs for Medicare eligible retiree coverage are essentially in actuarial balance. There is no provision in the present law, as it relates to Medicare eligible retirees, which results in future expected costs to the State for retiree life and health insurance.

However, the premium rates applicable to most retirees who are not yet eligible for Medicare are not high enough to pay for their expected claims costs. For non-Medicare eligible retirees who were initially hired prior to January 1, 2006 (referred to by the Plan as “Legacy” employees), the premium rates for their coverage are currently limited by State law to 115% of the premium rates for active employee coverage. Note that the 115% limitation does not apply to retirees who are Horizon employees, i.e., to those employees who are initially hired on or after January 1, 2006.

Since early retiree benefit costs greatly exceed 115% of the active employee premiums, an implicit cost subsidy exists with respect to early retiree coverage for Legacy retirees. The Plan currently covers the current year retiree subsidy cost by increasing the premium rate applicable to active employees.

The CY17 Actuarial Report being provided herein does not separately identify and quantify the liabilities and costs that must be reported and recognized by the State, as an employer, under accounting rules established for postemployment benefits by the Governmental Accounting Standards Board. Therefore, Plan surplus – as defined in this Report – does not take into account the liabilities of the State, as an employer, associated with retiree health and life insurance.

The State and School Employees Health Insurance Management Board has retained Cavanaugh Macdonald Consulting, LLC (“Cavanaugh Macdonald”) to prepare annual actuarial valuations of the postemployment life and health insurance benefits provided through the State and School Employees’ Life and Health Insurance Plan. The most recent valuation prepared by Cavanaugh Macdonald was as of June 30, 2017.

Although there are significant surplus funds that exist in the Plan, there are much higher liabilities for the State, as an employer, for future retiree benefits that have not been funded. For example, based on current claims liability estimates and prior to recognizing any premium deficiency reserve, the Plan ended CY17 with a Plan surplus of about \$228 million. Based on results contained in the “Report of the Actuary on the Other Postemployment Benefits Valuation, Prepared as of June 30, 2017” by Cavanaugh Macdonald, the State’s unfunded actuarial accrued liability associated with retiree benefits provided through the State and School Employees’ Life and Health Insurance Plan is about \$785 million as of June 30, 2017.

In evaluating the extent to which existing or projected surplus of the Plan is necessary or even sufficient, this Report should be reviewed in conjunction with the most recent version of the “Report of the Actuary on the Other Postemployment Benefits Valuation” that has been submitted to the Health Insurance Management Board by Cavanaugh Macdonald.



## FEDERAL HEALTH CARE REFORM

Federal health care reform was enacted into law in March 2010 by the passage of the Patient Protection and Affordable Care Act and its companion legislation, the Health Care Reconciliation Act ("ACA"). This section includes a discussion of certain items that affected benefits and funding.

### Early Retiree Reinsurance Program (ERRP)

ACA included a temporary reinsurance program for early retirees (eligible retirees age 55 and over who are not eligible for Medicare and includes their spouses and dependents). This program reimbursed participating plans 80% of a qualified retiree's allowed medical and pharmacy costs between \$15,000 and \$90,000. Funding for this program was limited to \$5 billion and began June 1, 2010. The Plan applied and was approved to participate in the program. The Plan received ERRP payments totaling \$19.9 million (\$5.5 million in December 2010, \$6.3 million in April 2011, and \$8.1 million in October 2011).

### Grandfathered Plans

Certain of the requirements of ACA do not apply to plans referred to in ACA as grandfathered plans. Under the rules related to grandfathered plans, there are limits on the changes that a plan can make – relative to its status as of March 23, 2010 – and still remain a grandfathered plan. In general, in order to remain a grandfathered plan, the following requirements must be met: 1.) Plan coinsurance rates may not be reduced; 2.) Plan deductibles may not be increased by more than the sum of 15% plus the medical care component of the CPI; 3.) Plan copays may not be increased by more than the greater of \$5, or 15% plus the medical care component of the CPI; and 4.) The portion of the costs, by tier, paid for by the plan sponsor may not be reduced by more than 5%. Plan benefit changes implemented by the Plan as of January 1, 2011 prevent the Plan from being considered a grandfathered plan under ACA.

### Benefit and Other Changes Required Under ACA for CY11

The following requirements of ACA were addressed in CY10 or CY11 as a result of health care reform.

- ACA required that the Plan make coverage available to dependent children up to age 26 regardless of student or marital status, effective January 1, 2011, and encouraged early implementation of this requirement.
- ACA does not allow a plan to exclude coverage for participants under age 19 due to pre-existing conditions.
- ACA does not allow a plan to have a lifetime maximum limit on benefits.
- ACA requires qualified health plans to include "essential" benefits, and may not allow annual maximums on certain benefits deemed to be essential benefits. The Plan made changes consistent with those benefit requirements for qualified health plans.

### Benefit Changes Required Under ACA for CY13

The following expansion of preventive services for adult women was required by ACA, effective January 1, 2013:

- Well-woman visits for preconception and prenatal care for all female participants.
- Human papillomavirus testing.
- Screening for gestational diabetes in pregnant women between 24 and 28 weeks of gestation (and at the first prenatal visit for women at high risk for diabetes).
- Contraceptive methods and counseling, including FDA-approved contraceptive methods, sterilization procedures, and patient education/counseling for all women with reproductive capacity.

## FEDERAL HEALTH CARE REFORM (Continued)

### Benefit Changes Required Under ACA for CY13 (Continued)

- Breastfeeding support, supplies and counseling in conjunction with each childbirth including comprehensive lactation support and counseling by a trained provider during pregnancy and/or postpartum, and coverage of the costs of renting breastfeeding equipment.
- Annual screening and counseling for interpersonal and domestic violence.

### Benefit Changes Required Under ACA for CY14

The following benefit changes were required by ACA in CY14:

- The Plan will no longer be able to exclude benefits resulting from preexisting conditions.
- The Plan must provide coverage for Vitamin D for adult participants aged 65 years or older.
- The Plan must provide coverage (as a wellness/preventive benefit with no cost-sharing) for one-time screening for hepatitis C virus infection for participants at higher risk for infection and for adult participants born between 1945 and 1965.
- The Plan must limit employee in Network out-of-pocket costs (defined as the sum of all in Network deductibles, coinsurance, and copays) to no more than \$6,350 for self only coverage and \$12,700 for family coverage. Those limits are subject to change annually.

**Minimum Value** – IRS Notice 2012-31 provides as follows: “Beginning in 2014, eligible individuals who purchase coverage under a qualified health plan through an Affordable Insurance Exchange may receive a premium tax credit under § 36B unless they are eligible for other minimum essential coverage, including coverage under an employer-sponsored plan that is affordable to the employee and provides minimum value. Under § 36B(c)(2)(C)(ii), a plan fails to provide minimum value if “the plan’s share of the total allowed costs of benefits provided under the plan is less than 60 percent of such costs.” If the coverage offered by the employer fails to provide minimum value, an employee may be eligible to receive a premium tax credit. An applicable large employer (as defined in § 4980H(c)(2)) may be liable for an assessable payment under § 4980H if any full-time employee receives a premium tax credit.” A separate Actuarial Opinion (and an accompanying Actuarial Memorandum) has been provided that both the Plan’s Select Coverage and Base Coverage options meet the minimum value requirements under IRS Notice 2012-31.

### Benefit Changes Required Under ACA for CY15

The following benefit changes are required by ACA in CY15:

- Beginning 1/1/15, the Plan was required to provide 100% benefits for annual screening for lung cancer with low-dose computed tomography in adults ages 55 to 80.
- Beginning 1/1/15, the Plan was required to provide 100% benefits for risk reducing drugs, such as Tamoxifen or Raloxifene, for women who are at increased risk for breast cancer and at low risk for adverse medication effects.
- Based on clarifying guidance under ACA, preventive benefits – paid at 100% without cost sharing – for contraceptive drugs are limited in 2015 to generic drugs only. Non-generic contraceptive drugs are still covered, but currently are subject to normal Plan deductibles and copays.
- Based on a revision in the recommendations of the United States Preventive Services Task Force, preventive services (payable at 100% without cost sharing) for screening for gestational diabetes mellitus in pregnant women are limited in 2015 to one screening in asymptomatic women after 24 weeks of gestation. Prior to 2015, the Plan covered two such screenings per pregnancy (one at the first prenatal visit and one between 24-28 weeks).

## FEDERAL HEALTH CARE REFORM (Continued)

### Benefit Changes Required Under ACA for CY16, CY17 and CY18

The Plan is required by ACA to cover all preventive services recommended by the United States Preventive Services Task Force (USPSTF), at no member cost sharing. There are generally some changes in those services each year. For example, during CY16, the Plan began providing 100% coverage without cost-sharing for certain brand contraceptives when a generic is not available or when not medically appropriate. During CY15, 100% coverage applied only to generic drugs.

### Fees Imposed by ACA

**Patient-Centered Outcomes Research Institute** – ACA created the Patient-Centered Outcomes Research Institute (PCORI), which according to the PCORI website, “is authorized by Congress to conduct research to provide information about the best available evidence to help patients and their health care providers make more informed decisions. PCORI’s research is intended to give patients a better understanding of the prevention, treatment and care options available, and the science that supports those options.”

Provisions of ACA specify that the PCORI shall be funded, in part, by fees payable by all insured and self-insured plans, including governmental plans. Those fees are based on total Plan enrollment and are payable for Plan years 2012-2018 (payable the following July). The annual fee per member was \$1 for the 2012 Plan year and \$2 for the 2013 Plan year. After the first two years, the annual fee will be indexed to increases in National Health Expenditures.

**Three-year Transitional Reinsurance Program** – ACA created a three-year transitional reinsurance program to help stabilize premiums in the individual health insurance market from 2014 to 2016. Provisions of ACA specify that this program shall be funded by fees payable by all insured and self-insured plans, including governmental plans. Those fees are based on Plan primary enrollment and are payable for Plan years 2014 to 2016.

In regulations issued by the Department of Health and Human Services (HHS), HHS established a fee of \$63 per covered life for 2014, with 83.33% of the 2014 fee payable in January 2015 and the remainder payable in the 4<sup>th</sup> quarter of 2015. For 2015, HHS established a fee of \$44 per covered life, with 75% of the 2015 fee payable in January 2016 and the remainder payable in the 4<sup>th</sup> quarter of 2016. For 2016, HHS established a fee of \$27 per covered life, with 80% of the 2016 fee payable in January 2017 and the remainder payable in the 4<sup>th</sup> quarter of 2017.

**Projected Fees Imposed by ACA** – Assuming constant enrollment and a 4% annual increase in National Health Expenditures, the Plan is expected to pay in 2013 to 2019 about \$25 million in fees imposed by ACA. As shown below, the majority of these fees were payable in 2015 to 2017.

### Projected ACA Imposed Fees (in Millions)

Plan Year	Incurred Fees			Cash Payments By the Plan		
	PCORI	Transitional Reinsurance	Total	PCORI	Transitional Reinsurance	Total
2012	\$0.177		\$0.177			\$0.000
2013	\$0.350		\$0.350	\$0.177		\$0.177
2014	\$0.363	\$10.589	\$10.953	\$0.350		\$0.350
2015	\$0.378	\$7.371	\$7.748	\$0.363	\$10.589	\$10.953
2016	\$0.397	\$4.590	\$4.987	\$0.378	\$7.371	\$7.748
2017	\$0.409		\$0.409	\$0.397	\$4.590	\$4.987
2018	\$0.425		\$0.425	\$0.409		\$0.409
2019				\$0.425		\$0.425
Total	\$2.499	\$22.550	\$25.049	\$2.499	\$22.550	\$25.049

## ASSUMPTIONS

### Basic Projection Approach

Incurred medical and drug claims rates were projected forward on a semi-annual basis - by premium class - using assumptions for annual non-drug benefit trend and annual drug benefit trend.

### Non-Drug Benefit Trend

	CY18	CY19	CY20	CY21
Medical Trend, Non-Medicare	2.0%	2.0%	2.0%	2.0%
Medical Trend, Medicare Classes	2.0%	2.0%	2.0%	2.0%

### Drug Benefit Trend

	CY18	CY19	CY20	CY21
Drug Trend, Prior to Rebates	6.0%	6.0%	6.0%	6.0%
Rebate Trend	4.6%	3.0%	3.0%	3.0%
Drug Benefit Trend, After Rebates	6.4%	6.7%	6.7%	6.7%

### Administrative Expenses

Excluding life insurance contractual expenses and fees associated with ACA, Plan expenses were \$36.7 million in CY17 and for the last 8 calendar years were as follows:

CY10	\$54.3	
CY11	\$39.4	
CY12	\$33.3	
CY13	\$33.8	
CY14	\$32.2	
CY15	\$32.4	
CY16	\$35.1	
CY17	\$36.7	<i>In Millions</i>

The reductions in CY11 and CY12 were primarily due to new contracts or other changes with the disease management vendor, the wellness vendor, and the Plan administration vendor. The increase in costs in CY16 and CY17 versus CY15 relates primarily to the increased fees paid to Prime Therapeutics.

The projected, allocated expense rates per employee are as follows:

CY18	\$22.95
CY19	\$23.41
CY20	\$23.88
CY21	\$24.35

CY18 health insurance expenses are projected to be approximately 5.3% of projected CY18 premium.

## **ASSUMPTIONS (Continued)**

### **Interest**

Interest income was assumed to be earned and received at an annual rate of 0.95% and was based on the sum of the prior month's cash assets and one-half of the net cash flow for the month.

### **Net Cash Flow from Life Insurance**

Life insurance coverage was assumed to produce net additions to the Plan's funds of approximately 5% of premium. There was no assumed growth in the life insurance program in the current projections.

### **Enrollment**

The projections are based on the following annual enrollment growth assumptions by premium class: 0% for active employee and dependent classes; 0% for non-Medicare eligible retiree classes; 1.0% for Medicare eligible dependents of retirees; and 4.2% for Medicare eligible retirees.

The average calendar year Horizon, active employee enrollment proportion is assumed grow from 51.2% in CY17 to 53.8% in CY18, 56.5% in CY19, 59.2% in CY20, and 62.0% in CY21. The proportion of active employees selecting Base coverage is assumed to be 20% for Horizon employees and 4.6% for Legacy employees.

## SIGNIFICANT HISTORICAL BENEFIT CHANGES

### January 1, 2016

#### **Primary Care Physician (PCP) Copay Feature for Select Coverage (Effective 1/1/16) –**

Previously, all office visits were subject to the calendar year deductible and applicable coinsurance. Effective January 1, 2016, Select coverage includes a copay feature applicable to office visits to an In-Network Primary Care Physician (PCP).

Details of the new PCP copay feature are as follows:

- Primary Care Physician (PCP) includes: Family Practice, General Practice, Gynecology, Internal Medicine, Pediatrics, Registered Dietitians, and Nurse Practitioners.
- Visits to an In-Network PCP are not subject to the calendar year deductible.
- An office visit copay applies to the In-Network PCP's charge for evaluation and management, and applicable coinsurance applies to any additional charges for other services provided in the PCP's office.
- PCP Office Visit Copay, In-Network: \$25
- Out-of-Network: Office visits to an Out-of-Network primary care physician will continue to be subject to normal Out-of-Network deductibles and coinsurance.

**Maternity Management Program** – In an effort to increase engagement and help improve maternity outcomes, the Plan changed the previous benefit of 100% coverage for physician maternity services to be limited to only those participants who participate in the maternity management program. For any participant choosing to not engage in the program, regular Plan benefits will apply.

**Contraceptive Coverage** – During CY16, the Plan began providing 100% coverage without cost-sharing for certain brand contraceptives when a generic is not available or when not medically appropriate. During CY15, 100% coverage applied only to generic drugs.

**Pre-certification Requirements for Outpatient MRI's and CT Scans** – Pre-certification for outpatient MRI's and CT scans are no longer required. Instead, the Plan's medical policy will apply.

**Chiropractic Benefit** – The calendar year limit for chiropractic services has been removed and replaced with a 30 visit per calendar year limit.

### January 1, 2010 thru January 1, 2015

See the FY16 or CY16 Actuarial Reports.

### January 1, 2009 & Prior

A detailed description of prior changes appears in the CY10 & prior Actuarial Reports.

**RETIREE LIFE RATES PER \$1,000 AS OF 1/1/2014**  
**Based on Attained Age of Retiree**

<b>Age</b>	<b>Prior</b>	<b>Revised</b>	<b>Age</b>	<b>Prior</b>	<b>Revised</b>	<b>Age</b>	<b>Prior</b>	<b>Revised</b>
40	0.25	0.20	60	1.63	1.50	80	3.00	3.00
41	0.28	0.22	61	1.76	1.65	81	3.00	3.00
42	0.30	0.24	62	1.91	1.80	82	3.00	3.00
43	0.33	0.26	63	2.08	1.95	83	3.00	3.00
44	0.36	0.28	64	2.25	2.10	84	3.00	3.00
45	0.40	0.31	65	3.00	2.25	85	3.00	3.00
46	0.43	0.34	66	3.00	2.40	86	3.00	3.00
47	0.47	0.38	67	3.00	2.55	87	3.00	3.00
48	0.53	0.42	68	3.00	2.70	88	3.00	3.00
49	0.54	0.47	69	3.00	2.85	89	3.00	3.00
50	0.65	0.52	70	3.00	3.00	90	3.00	3.00
51	0.71	0.57	71	3.00	3.00	91	3.00	3.00
52	0.79	0.63	72	3.00	3.00	92	3.00	3.00
53	0.86	0.69	73	3.00	3.00	93	3.00	3.00
54	0.95	0.76	74	3.00	3.00	94	3.00	3.00
55	1.06	0.85	75	3.00	3.00			
56	1.16	0.94	76	3.00	3.00			
57	1.25	1.05	77	3.00	3.00			
58	1.38	1.20	78	3.00	3.00			
59	1.50	1.35	79	3.00	3.00			