

---

**STATE OF MISSISSIPPI'S**

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

**ACTUARIAL REPORT  
FISCAL YEAR 2018**

---

**PREPARED BY:  
Wm. Lynn Townsend, FSA, MAAA  
4785 I-55 North, Suite 201  
Jackson, Mississippi**



**Wm. Lynn Townsend, FSA**  
**CONSULTING ACTUARY**

P.O. Box 16510  
Jackson, MS 39236  
Tel 601-362-1650

Shipping Address  
4785 I-55 N, Suite 201  
Jackson, MS 39206

August 29, 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 June 30, 2018, 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



# TABLE OF CONTENTS

	<b>Page</b>
<b>Executive Summary</b>	<b>1</b>
<b>FY18 Financial Summary</b>	<b>5</b>
<b>Current Funding Status</b>	<b>6</b>
<b>Health Plan Enrollment</b>	<b>9</b>
<b>Health Insurance Experience</b>	<b>14</b>
<b>CY17 Plan Changes</b>	<b>29</b>
<b>CY18 Plan Changes</b>	<b>31</b>
<b>Historical Health Insurance Rate Increases</b>	<b>32</b>
<b>Life Insurance</b>	<b>33</b>
<b>Funding Policy</b>	<b>35</b>
<b>Plan Projections</b>	<b>36</b>
<b>Postemployment Benefits</b>	<b>50</b>
<b>Federal Health Care Reform</b>	<b>51</b>
<b>Appendix</b>	
<b>Assumptions</b>	<b>54</b>
<b>Significant Historical Benefit Changes</b>	<b>56</b>
<b>Retiree Life Insurance Rates</b>	<b>57</b>



## 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 experienced a reduction in Plan Surplus of about \$20 million in FY17 and \$40 million in FY18. However, Plan experience in both years has been better than originally expected. The Plan ended FY18 with a Plan surplus of \$226 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 6/30/18).

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 \$52 million, with a resulting decline in Plan surplus during CY18 from \$229 million to \$177 million.

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 \$46 million.

### FY18 Financial Summary

Using current claims liability estimates, claims and expenses exceeded Plan revenue in FY18 by about \$40 million.

<b>Financial Summary for FY18</b>		
Health Premiums	\$ 721.2	
Health Claims Incurred	(730.1)	
Administrative & Cost Containment Expenses	(35.6)	
ACA Imposed Fees - Incurred	(0.4)	
Subtotal Health Insurance		\$ (45.0)
Life Premiums	\$ 17.4	
Life Claims Incurred	(15.5)	
Life Insurance Contract Expense	(0.8)	
Subtotal Life Insurance		1.1
Interest and Other Revenue		3.7
Total Gain (Loss)		\$ (40.3)
Plan Surplus, 6/30/17 <sup>(1), (2), (3)</sup>		\$ 265.9
Plan Surplus, 6/30/18 <sup>(1), (3)</sup>		\$ 225.6
<i>In millions</i>		
(1) Prior to any applicable premium deficiency reserve.		
(2) Based on a retroactive evaluation of claims liabilities using actual paid claims.		
(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.		

## 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)					
	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18
Plan Assets	\$377.6	\$393.0	\$374.3	\$351.7	\$311.9
less Plan Liabilities	90.7	87.2	88.3	85.9	86.3
Plan Surplus (Prior to Any Applicable Premium Deficiency Reserve) *	\$287.0	\$305.8	\$286.0	\$265.9	\$225.6
Annual Change in Funding Status	\$10.2	\$18.9	(\$19.8)	(\$20.2)	(\$40.3)
* Plan Surplus, as shown above, does not take into account the liabilities of the State, as an employer, for post-retirement benefits.					

### 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)					
	FY14	FY15	FY16	FY17	FY18
Health Insurance Gain (Loss)	(\$6.8)	\$16.1	(\$23.6)	(\$25.8)	(\$45.0)
Life Insurance Gain	3.3	0.5	1.0	2.6	1.1
Interest Income	2.5	2.3	2.8	3.0	3.7
Drug Company Settlements	11.2	0.0	0.0	0.0	0.0
Total Gain (Loss)	\$10.2	\$18.9	(\$19.8)	(\$20.2)	(\$40.3)

### 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 \$710.0 million in FY17 to \$730.1 million in FY18, an increase of 2.8%.

Premium versus Claims Incurred (in Millions)					
	FY14	FY15	FY16	FY17	FY18
Health Premiums	\$720.7	\$718.8	\$718.4	\$722.5	\$721.2
Health Claims Incurred	\$688.7	\$661.3	\$701.6	\$710.0	\$730.1
Loss Ratio (Claims/Premium)	95.6%	92.0%	97.7%	98.3%	101.2%



## EXECUTIVE SUMMARY (Continued)

### Plan Projections

Plan projections were prepared for the next 3½ 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 3½ 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
FY18									\$226		(\$40)
FY19	\$734	(\$755)	(\$39)	(\$59)	(\$0.2)	\$4	(\$55)	-7.5%	\$170	\$34	(\$55)
FY20	\$757	(\$780)	(\$40)	(\$62)	\$0.0	\$4	(\$58)	-7.7%	\$112	\$35	(\$58)
FY21	\$807	(\$806)	(\$41)	(\$40)	\$0.0	\$3	(\$37)	-4.6%	\$75	\$36	(\$37)
FY22	\$857	(\$833)	(\$42)	(\$18)	\$0.0	\$3	(\$15)	-1.8%	\$60	\$37	(\$15)
CY17									\$229		(\$25)
CY18									\$177		(\$52)
CY19	\$746	(\$767)	(\$39)	(\$61)	\$0.0	\$4	(\$57)	-7.6%	\$121	\$34	(\$57)
CY20	\$769	(\$793)	(\$40)	(\$64)	\$0.0	\$3	(\$60)	-7.9%	\$60	\$35	(\$60)
CY21	\$844	(\$820)	(\$41)	(\$17)	\$0.0	\$3	(\$14)	-1.7%	\$46	\$37	(\$14)
<b>TREND ASSUMPTIONS, NON-MEDICARE</b>								<b>RATE INCREASE ASSUMPTIONS</b>			
			Medical	Drugs*	Total*				Plan Primary	Medicare Primary	
CY18 2H			2.00%	4.9%	2.7%			01/01/19	3.0%	2%	
CY19			2.00%	6.8%	3.2%			07/01/19			
CY20			2.00%	6.8%	3.2%			01/01/20	3.0%	2%	
CY21			2.00%	6.8%	3.2%			07/01/20			
								01/01/21	10.0%	2%	

\* Net of 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 essentially the same that were used in the CY17 actuarial report, but 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 FY18 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 \$229 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.

## FY18 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 6/30/17 is based upon a retroactive review of the life and health insurance claims liabilities based on actual incurred claims and incurred drug rebates.

Financial Summary for FY18		
Health Premiums	\$ 721.2	
Health Claims Incurred	(730.1)	
Administrative & Cost Containment Expenses	(35.6)	
ACA Imposed Fees - Incurred	(0.4)	
Subtotal Health Insurance		\$ (45.0)
Life Premiums	\$ 17.4	
Life Claims Incurred	(15.5)	
Life Insurance Contract Expense	(0.8)	
Subtotal Life Insurance		1.1
Interest and Other Revenue		3.7
Total Gain (Loss)		\$ (40.3)
Plan Surplus, 6/30/17 <sup>(1), (2), (3)</sup>		\$ 265.9
Plan Surplus, 6/30/18 <sup>(1), (3)</sup>		\$ 225.6
		<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.

Historical Financial Summary (in Millions)					
	FY14	FY15	FY16	FY17	FY18*
Health Insurance Gain (Loss)	(\$6.8)	\$16.1	(\$23.6)	(\$25.8)	(\$45.0)
Life Insurance Gain	3.3	0.5	1.0	2.6	1.1
Interest Income	2.5	2.3	2.8	3.0	3.7
Drug Company Settlements	11.2	0.0	0.0	0.0	0.0
Total Gain (Loss)	\$10.2	\$18.9	(\$19.8)	(\$20.2)	(\$40.3)
* Based on current estimates of outstanding claims.					

## CURRENT FUNDING STATUS

### Plan Balance Sheet

As of 6/30/18, the Plan had an estimated funding surplus – prior to any applicable premium deficiency reserve – of \$225.6 million, derived as follows:

<b>BALANCE SHEET AS OF 6/30/18</b>	
<b>ASSETS</b>	
Cash and Invested Assets	\$ 311,906,764
<b>LIABILITIES</b>	
Estimated Medical & Drug Claims Incurred But Not Reported	\$ 72,107,495
Estimated Drug Card Rebates Receivable	(23,149,623)
Estimated Life Claims Incurred But Not Reported	4,874,083
Medical Claims Paid in June 18 by BCBS & in July 18 by the Plan	6,706,802
Drug Card Claims Paid in June 18 by Prime & in July 18 by the Plan	8,750,949
Life Claims Paid in June 18 by Minnesota Life & in July 18 by the Plan	1,237,712
Premium Contributions Received in Advance (less Arrears)	12,238,300
Prior Period Expenses	
BCBS (Plan Administration)	1,576,685
Active Health	598,418
Prime Therapeutics	575,000
Truven Health Analytics	32,592
Minnesota Life	62,438
Miscellaneous Expenses	28,475
ACA Imposed Fees Incurred but Unpaid	645,664
Total Claim Liabilities and Accrued Expenses	<u>\$ 86,284,990</u>
<b>PLAN SURPLUS (Prior to Any Applicable Premium Deficiency Reserve) <sup>(1)</sup></b>	<u><u>\$ 225,621,775</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)					
	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18
Plan Assets	\$377.6	\$393.0	\$374.3	\$351.7	\$311.9
less Plan Liabilities	90.7	87.2	88.3	85.9	86.3
Plan Surplus (Prior to Any Applicable Premium Deficiency Reserve) *	\$287.0	\$305.8	\$286.0	\$265.9	\$225.6
Annual Change in Funding Status	\$10.2	\$18.9	(\$19.8)	(\$20.2)	(\$40.3)
<i>* Plan Surplus, as shown above, does not take into account the liabilities of the State, as an employer, for post-retirement benefits.</i>					

### 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 July 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 6/30/18 to be about \$64.2 million. About \$29.2 million of this was paid in July 2018, leaving an estimated \$35.0 million left to be paid after July 2018. The \$64.2 million liability represents about 1.44 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 6/30/18, the drug claims liability, net of estimated negative adjustments, was estimated to be about (-) \$137,000. Note that this estimate is negative because the amount of negative adjustments already received in July 2018 – that applied to claims incurred in June 2018 and prior months – exceeded the estimate of remaining drug claims to be paid for FY18 and prior periods.

### 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 \$72.1 million as of 6/30/18.

## **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 6/30/18, the estimate of the rebates receivable from Prime was about \$23.1 million, with about \$11.4 million of that already having been received during July 2018.

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

The liability for life insurance claims incurred as of 6/30/18 but not reported to the Plan was estimated to be about \$4.9 million.

### **Liability for Claims Paid by BCBS in June but Not Reimbursed until July 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, medical claims paid by BCBS of MS to out-of-state providers are 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 July 2018, the Plan was billed by BCBS of MS \$6.7 million for medical claims paid to out-of-state providers thru June 30, 2018. This amount has been handled as a separate claims liability.

### **Liability for Claims Paid by Prime in June but Not Reimbursed until July 2018**

Claims paid by Prime during June 2018 that were not reimbursed by the Plan until June 2018 totaled \$8.75 million. This amount has been handled as a separate claims liability.

### **Liability for Claims Paid by Minnesota Life in June but Not Reimbursed until July 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 July 2018, the Plan was billed approximately \$1.2 million for claims paid by Minnesota Life in June 2018.

## HEALTH PLAN ENROLLMENT

### Total Plan Enrollment

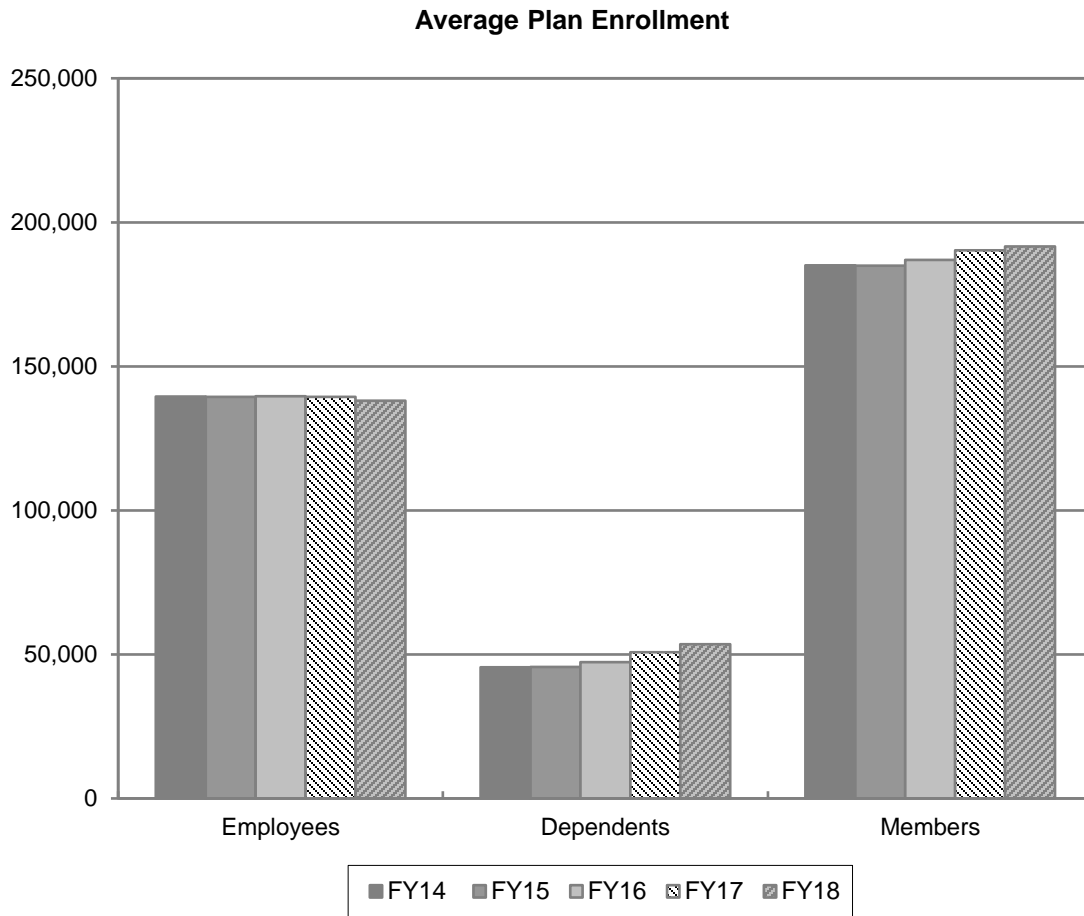
The average number of participating employees, dependents, and total members, by employee subgroup, were derived using the enrollment reports supplied by BCBS.

### Average Fiscal Year Enrollment

Participant	FY16		FY17		FY18	
	Count	%	Count	%	Count	%
<b>Employees</b>						
Active	114,964	82.4%	114,237	81.9%	112,343	81.3%
COBRA	592	0.4%	687	0.5%	825	0.6%
Early Retirees	8,778	6.3%	8,604	6.2%	8,428	6.1%
Disabled Retiree (Non-Medicare)	176	0.1%	171	0.1%	167	0.1%
Disabled Retiree (Medicare)	1,000	0.7%	967	0.7%	937	0.7%
Medicare Retirees	14,083	10.1%	14,757	10.6%	15,410	11.2%
Total	139,594	100.0%	139,424	100.0%	138,109	100.0%
Total Retirees	24,037	17.2%	24,499	17.6%	24,942	18.1%
<b>Dependents</b>						
Active	41,963	88.7%	45,347	89.3%	47,895	89.5%
COBRA	226	0.5%	288	0.6%	386	0.7%
Early Retirees	1,990	4.2%	1,990	3.9%	1,992	3.7%
Disabled Retiree (Non-Medicare)	27	0.1%	26	0.1%	30	0.1%
Disabled Retiree (Medicare)	172	0.4%	163	0.3%	151	0.3%
Medicare Retirees	2,925	6.2%	2,993	5.9%	3,040	5.7%
Total	47,301	100.0%	50,808	100.0%	53,493	100.0%
Total Retirees	5,113	10.8%	5,173	10.2%	5,213	9.7%
<b>Members</b>						
Active	156,927	84.0%	159,584	83.9%	160,237	83.6%
COBRA	818	0.4%	976	0.5%	1,211	0.6%
Early Retirees	10,768	5.8%	10,594	5.6%	10,420	5.4%
Disabled Retiree (Non-Medicare)	202	0.1%	198	0.1%	197	0.1%
Disabled Retiree (Medicare)	1,172	0.6%	1,129	0.6%	1,088	0.6%
Medicare Retirees	17,008	9.1%	17,750	9.3%	18,449	9.6%
Total	186,895	100.0%	190,231	100.0%	191,602	100.0%
Total Retirees	29,150	15.6%	29,671	15.6%	30,154	15.7%

## HEALTH PLAN ENROLLMENT (Continued)

### Total Plan Enrollment Growth



<b>Annual Enrollment Growth Rates in FY18</b>			
	Active	Retirees	Total
Employees	-1.7%	1.8%	-0.9%
Dependents			
Spouse	4.6%	0.3%	3.4%
Children	5.9%	2.7%	6.0%
Total Dependents	5.6%	0.8%	5.3%
Employees & Dependents	0.4%	1.6%	0.7%



## 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 2018, 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 2018, 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%
CY18 1H	4.6%	19.5%

## 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%
CY18	1-6	50,242 95.4%	2,426 4.6%	52,667 100.0%	48,057 80.5%	11,628 19.5%	59,685 100.0%	46.9%	53.1%

## HEALTH PLAN ENROLLMENT (Continued)

### 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 50.9% on 6/30/17 to 53.7% on 6/30/18, 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 56.4% on 6/30/19, to 59.1% on 6/30/20, and to 61.8% on 6/30/21. Under that assumption, the average fiscal year Horizon enrollment proportion would grow from 52.6% in FY18 to 55.2% in FY19, 57.9% in FY20, and 60.6% in FY21.

### Historical Enrollment Growth by Premium Class

Following is a summary of the average enrollment, by premium class, for FY18 together with the enrollment growth rates within each class for the last 5 years.

<b>Employee Enrollment Growth by Premium Class</b>						
	Enrollment Growth Rates					Average Employee Enrollment
	FY14	FY15	FY16	FY17	FY18	FY18
Employee (Active & COBRA)	-1%	0%	0%	-1%	-2%	113,246
Spouse Only (Active & COBRA)	-6%	-5%	0%	3%	1%	4,079
Full Family (Active & COBRA)	-3%	-1%	3%	9%	8%	5,243
Children Only (All Classes)	1%	2%	6%	10%	6%	7,397
Child Only (All classes)	0%	0%	4%	7%	4%	10,601
Disabled Retiree - Non Medicare	-4%	-11%	-3%	-2%	-2%	170
Retired Employee - Non Medicare	-2%	-2%	-5%	-2%	-2%	8,422
Retiree Spouse Only - Non Medicare	-8%	-3%	-4%	-4%	-4%	1,167
Retiree Family - Non Medicare	-5%	1%	-1%	6%	-1%	201
Retiree Family - 1 on Medicare	-6%	3%	2%	-4%	15%	59
Retiree Spouse Only - Medicare	1%	1%	1%	2%	2%	2,796
Retired Employee - Medicare*	4%	4%	4%	4%	4%	16,345

\* Includes disabled retirees eligible for Medicare.

## HEALTH INSURANCE EXPERIENCE

### Premiums versus Claims

Incurred health insurance claims (prior to administrative expenses but after drug rebates) are estimated to have exceeded premiums by about \$8.9 million during FY18. 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>					
	FY14	FY15	FY16	FY17	FY18
Health Premiums	\$720.7	\$718.8	\$718.4	\$722.5	\$721.2
Health Claims Incurred	\$688.7	\$661.3	\$701.6	\$710.0	\$730.1
Loss Ratio (Claims/Premium)	95.6%	92.0%	97.7%	98.3%	101.2%

Based on current claim liability estimates, incurred claims (net of subrogation receipts, claim refunds, and pharmacy rebates) increased from \$710.0 million in FY17 to \$730.1 million in FY18, an increase of 2.8%.

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

FY18 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>FY18 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	\$368	96%
Active (& COBRA) Dependents			
Spouse Only	\$437	\$718	164%
Full Family	\$641	\$832	130%
Child Only *	\$149	\$220	148%
Children Only *	\$307	\$363	118%
Early Retiree (Disabled)	\$445	\$3,539	795%
Early Retiree (Non-Disabled)	\$433	\$712	164%
Spouse Only	\$510	\$718	141%
Full Family	\$744	\$710	95%
Medicare Retirees & Spouse Only (Medicare)**	\$184	\$163	89%

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

\*\* Includes disabled retirees eligible for Medicare.

## HEALTH INSURANCE EXPERIENCE (Continued)

<b>ACTUAL FY18 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	112,428	818	8,422	170	16,345	138,183
Spouse (Regular)	4,034	45	805	14	347	5,246
Spouse (Medicare)	0	0	256	2	2,538	2,796
Family (Regular)	5,185	58	168	2	31	5,444
Child Only	10,096	67	305	7	125	10,601
Children Only	7,283	34	64	2	15	7,397
Family (1 on Medicare)	0	0	25	0	34	59
<b>PREMIUM (in millions)</b>						
Employee	514.2	3.9	43.8	0.9	36.1	598.8
Spouse (Regular)	21.1	0.2	4.9	0.1	2.1	28.5
Spouse (Medicare)	0.0	0.0	0.6	0.0	5.6	6.2
Family (Regular)	39.9	0.5	1.5	0.0	0.3	42.1
Child Only	18.0	0.1	0.6	0.0	0.2	18.9
Children Only	26.8	0.1	0.2	0.0	0.1	27.2
Family (1 on Medicare)	0.0	0.0	0.1	0.0	0.1	0.2
Total	620.0	4.8	51.7	1.0	44.5	722.0
<b>CLAIMS (in millions)</b>						
Employee	484.1	15.5	72.0	7.2	31.4	610.2
Spouse (Regular)	34.6	0.5	7.1	0.3	2.7	45.2
Spouse (Medicare)	0.0	0.0	1.1	0.0	4.9	6.0
Family (Regular)	51.6	0.7	1.5	0.0	0.2	54.1
Child Only	26.6	0.5	0.6	0.0	0.3	28.0
Children Only	31.3	0.3	0.4	0.0	0.2	32.2
Family (1 on Medicare)	0.0	0.0	0.2	0.0	0.1	0.3
Total	628.3	17.5	82.8	7.5	39.9	776.1
<b>AVERAGE PREMIUM RATE, FY18</b>						
Employee	381.10	392.81	433.29	445.10	184.00	
Spouse (Regular)	436.80	442.66	509.03	513.83	513.31	
Spouse (Medicare)	N/A	N/A	184.00	184.00	184.00	
Family (Regular)	640.81	655.50	743.92	744.00	744.35	
Child Only	148.29	148.42	154.59	155.00	155.00	
Children Only	306.91	311.22	311.65	312.00	312.00	
Family (1 on Medicare)	N/A	N/A	339.00	N/A	339.00	
<b>LOSS RATIO</b>						
Employee	94%	402%	164%	795%	87%	102%
Spouse (Regular)	164%	199%	144%	310%	125%	158%
Spouse (Medicare)	N/A	N/A	190%	583%	88%	98%
Family (Regular)	130%	160%	100%	39%	76%	128%
Child Only	148%	402%	98%	152%	146%	148%
Children Only	117%	204%	177%	117%	299%	118%
Family (1 on Medicare)	N/A	N/A	212%	N/A	93%	143%
Total	101%	364%	160%	727%	90%	107%
* 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>FY18 PAID LOSS RATIOS</b>						
<b>ACTIVE EMPLOYEES ONLY</b>						
<b>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	50,826	\$376	\$436	116%	50.2	11.1
Base (HDHP)	2,446	\$356	\$238	67%	47.2	9.8
<b>Horizon Employees</b>						
Select	47,502	\$394	\$329	83%	39.0	10.0
Base (HDHP)	11,655	\$356	\$168	47%	36.5	9.3
<b>All Employees</b>						
Base & Select	112,428	\$381	\$359	94%	44.1	10.5

## HEALTH INSURANCE EXPERIENCE (Continued)

<b>ACTUAL FY18 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	50,826	291	8,287	161	16,270	75,835
Spouse (Regular)	2,242	17	775	14	340	3,388
Spouse (Medicare)	0	0	255	1	2,530	2,786
Family (Regular)	2,599	25	163	2	30	2,819
Child Only	4,360	21	301	7	123	4,812
Children Only	3,806	10	61	2	15	3,894
Family (1 on Medicare)	0	0	25	0	34	59
<b>PREMIUM (in millions)</b>						
Employee	229.3	1.4	43.0	0.8	35.9	310.4
Spouse (Regular)	11.9	0.1	4.7	0.1	2.1	18.9
Spouse (Medicare)	0.0	0.0	0.6	0.0	5.6	6.2
Family (Regular)	20.2	0.2	1.5	0.0	0.3	22.1
Child Only	8.1	0.0	0.6	0.0	0.2	9.0
Children Only	14.2	0.0	0.2	0.0	0.1	14.6
Family (1 on Medicare)	0.0	0.0	0.1	0.0	0.1	0.2
Total	283.8	1.7	50.6	1.0	44.3	381.3
<b>CLAIMS (in millions)</b>						
Employee	266.2	6.7	70.5	6.3	31.3	380.9
Spouse (Regular)	21.8	0.3	6.9	0.3	2.6	31.9
Spouse (Medicare)	0.0	0.0	1.1	0.0	4.9	6.0
Family (Regular)	29.1	0.2	1.5	0.0	0.2	30.9
Child Only	11.4	0.1	0.5	0.0	0.3	12.4
Children Only	16.9	0.1	0.4	0.0	0.2	17.5
Family (1 on Medicare)	0.0	0.0	0.2	0.0	0.1	0.3
Total	345.4	7.3	81.1	6.6	39.7	480.0
<b>AVERAGE PREMIUM RATE, FY18</b>						
Employee	376.00	387.25	432.00	432.00	184.00	
Spouse (Regular)	443.00	452.00	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	116%	497%	164%	752%	87%	123%
Spouse (Regular)	183%	272%	145%	319%	126%	168%
Spouse (Medicare)	N/A	N/A	191%	941%	88%	98%
Family (Regular)	144%	82%	101%	39%	76%	140%
Child Only	141%	219%	98%	152%	140%	139%
Children Only	119%	131%	183%	117%	299%	120%
Family (1 on Medicare)	N/A	N/A	212%	N/A	93%	143%
Total	122%	422%	160%	687%	90%	126%
* Totals may not agree due to rounding.			Does not include drug rebates.			

## HEALTH INSURANCE EXPERIENCE (Continued)

<b>ACTUAL FY18 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	2,446	11	83	0	0	2,539
Spouse (Regular)	104	0	24	0	0	128
Spouse (Medicare)	0	0	0	0	0	0
Family (Regular)	152	1	3	0	0	157
Child Only	284	1	3	0	0	288
Children Only	209	2	2	0	0	213
Family (1 on Medicare)	0	0	0	0	0	0
<b>PREMIUM (in millions)</b>						
Employee	10.4	0.0	0.4	0.0	0.0	10.9
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)	1.1	0.0	0.0	0.0	0.0	1.1
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	0.7
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	13.0	0.1	0.6	0.0	0.0	13.6
<b>CLAIMS (in millions)</b>						
Employee	7.0	0.2	0.7	0.0	0.0	7.8
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)	1.4	0.0	0.0	0.0	0.0	1.4
Child Only	0.4	0.1	0.0	0.0	0.0	0.5
Children Only	0.5	0.0	0.0	0.0	0.0	0.5
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	9.5	0.3	0.9	0.0	0.0	10.7
<b>AVERAGE PREMIUM RATE, FY18</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	67%	373%	161%	N/A	N/A	72%
Spouse (Regular)	57%	48%	160%	N/A	N/A	78%
Spouse (Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Family (Regular)	127%	4%	59%	N/A	N/A	124%
Child Only	124%	7489%	6%	N/A	N/A	148%
Children Only	75%	81%	29%	N/A	N/A	75%
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Total	73%	422%	153%	N/A	N/A	78%
* Totals may not agree due to rounding.			Does not include drug rebates.			



## HEALTH INSURANCE EXPERIENCE (Continued)

<b>ACTUAL FY18 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	47,502	435	52	9	75	48,073
Spouse (Regular)	1,329	20	7	0	7	1,364
Spouse (Medicare)	0	0	1	1	8	10
Family (Regular)	1,993	29	2	0	0	2,023
Child Only	4,481	34	1	0	2	4,518
Children Only	2,790	19	1	0	0	2,810
Family (1 on Medicare)	0	0	0	0	0	0
<b>PREMIUM (in millions)</b>						
Employee	224.6	2.1	0.4	0.1	0.2	227.4
Spouse (Regular)	7.1	0.1	0.1	0.0	0.1	7.3
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	15.5	0.2	0.0	0.0	0.0	15.7
Child Only	8.3	0.1	0.0	0.0	0.0	8.4
Children Only	10.4	0.1	0.0	0.0	0.0	10.5
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	265.9	2.6	0.5	0.1	0.2	269.3
<b>CLAIMS (in millions)</b>						
Employee	187.5	7.7	0.8	0.9	0.1	197.1
Spouse (Regular)	11.4	0.2	0.0	0.0	0.1	11.7
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	18.5	0.5	0.0	0.0	0.0	19.0
Child Only	12.9	0.2	0.0	0.0	0.0	13.1
Children Only	12.5	0.2	0.0	0.0	0.0	12.7
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	242.8	8.8	0.9	1.0	0.2	253.6
<b>AVERAGE PREMIUM RATE, FY18</b>						
Employee	394.00	402.78	676.00	676.00	184.00	
Spouse (Regular)	443.00	452.00	718.00	718.00	718.00	
Spouse (Medicare)	N/A	N/A	184.00	184.00	184.00	
Family (Regular)	647.00	660.00	873.00	N/A	873.00	
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	83%	366%	196%	1362%	75%	87%
Spouse (Regular)	162%	194%	32%	22%	112%	161%
Spouse (Medicare)	N/A	N/A	9%	284%	57%	74%
Family (Regular)	120%	235%	18%	N/A	24%	121%
Child Only	155%	257%	150%	N/A	504%	156%
Children Only	119%	267%	12%	N/A	N/A	120%
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Total	91%	342%	168%	1279%	89%	94%
* Totals may not agree due to rounding.			Does not include drug rebates.			

## HEALTH INSURANCE EXPERIENCE (Continued)

<b>ACTUAL FY18 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	11,655	81	0	1	0	11,736
Spouse (Regular)	360	7	0	0	0	367
Spouse (Medicare)	0	0	0	0	0	0
Family (Regular)	442	3	0	0	0	445
Child Only	971	11	0	0	0	982
Children Only	478	2	0	0	0	480
Family (1 on Medicare)	0	0	0	0	0	0
<b>PREMIUM (in millions)</b>						
Employee	49.8	0.4	0.0	0.0	0.0	50.1
Spouse (Regular)	1.7	0.0	0.0	0.0	0.0	1.7
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	3.1	0.0	0.0	0.0	0.0	3.2
Child Only	1.2	0.0	0.0	0.0	0.0	1.2
Children Only	1.5	0.0	0.0	0.0	0.0	1.5
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	57.3	0.4	0.0	0.0	0.0	57.7
<b>CLAIMS (in millions)</b>						
Employee	23.5	0.9	0.0	0.0	0.0	24.4
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)	2.7	0.0	0.0	0.0	0.0	2.7
Child Only	1.9	0.1	0.0	0.0	0.0	2.0
Children Only	1.5	0.0	0.0	0.0	0.0	1.5
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	30.6	1.1	0.0	0.0	0.0	31.7
<b>AVERAGE PREMIUM RATE, FY18</b>						
Employee	356.00	363.00	653.00	653.00	N/A	
Spouse (Regular)	389.00	396.00	635.00	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	47%	259%	9%	45%	N/A	49%
Spouse (Regular)	66%	25%	42%	N/A	N/A	65%
Spouse (Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Family (Regular)	86%	144%	N/A	N/A	N/A	86%
Child Only	158%	1006%	N/A	N/A	N/A	168%
Children Only	100%	66%	N/A	N/A	N/A	99%
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Total	53%	253%	25%	45%	N/A	55%
* Totals may not agree due to rounding.			Does not include drug rebates.			

## HEALTH INSURANCE EXPERIENCE (Continued)

### Select versus Base Coverage Experience – Active Employees

Additional studies were performed on CY17 experience using the Truven system looking at the different experience of the Select versus Base coverage options.

The following table shows a breakdown of active employee enrollment in the two options by age and sex cohorts. This table shows that the youngest age cohorts, by gender, are about 2 times as likely to choose Base coverage as the mid-range age cohort and over 3 times as likely as the oldest age cohort. This data also shows that males are about 50% more likely than females, by age cohort, to choose Base coverage.

#### CY17 Distribution of Active Employee Enrollment Select vs. Base Coverage

		Total	Select	Base	Percent of Age/Sex Cohort		
					Total	Select	Base
18-34	F	19,345	15,688	3,657	100%	81%	19%
35-49	F	32,331	29,131	3,200	100%	90%	10%
50+	F	27,348	25,773	1,575	100%	94%	6%
18-34	M	8,316	5,889	2,427	100%	71%	29%
35-49	M	12,885	11,034	1,850	100%	86%	14%
50+	M	11,929	10,927	1,002	100%	92%	8%
		112,153	98,442	13,711	100%	88%	12%

CY17 incurred costs per member per month are also shown in the tables below and on the following page.

#### CY17 ALLOWED AMOUNTS PMPM - Active Employees Only Net Payments plus Out-of-Pocket Costs & 3rd Party Payments

		SELECT			BASE		
		Medical	Drugs	Total	Medical	Drugs	Total
18-34	F	\$312	\$69	\$380	\$219	\$29	\$247
35-49	F	\$346	\$113	\$459	\$289	\$45	\$334
50+	F	\$463	\$170	\$632	\$297	\$51	\$348
18-34	M	\$153	\$79	\$232	\$73	\$29	\$102
35-49	M	\$230	\$119	\$349	\$170	\$25	\$195
50+	M	\$501	\$190	\$691	\$344	\$58	\$403

#### CY17 NET PAYMENTS PMPM - Active Employees Only

		SELECT			BASE		
		Medical	Drugs	Total	Medical	Drugs	Total
18-34	F	\$232	\$57	\$290	\$136	\$21	\$158
35-49	F	\$256	\$95	\$351	\$203	\$32	\$236
50+	F	\$349	\$141	\$490	\$210	\$36	\$246
18-34	M	\$80	\$71	\$151	\$39	\$23	\$62
35-49	M	\$164	\$103	\$267	\$118	\$18	\$137
50+	M	\$387	\$161	\$547	\$260	\$44	\$304

## HEALTH INSURANCE EXPERIENCE (Continued)

### Select versus Base Coverage Experience – Active Employees (Continued)

#### CY17 OUT-OF-POCKET COSTS PMPM - Active Employees Only

		<b>SELECT</b>			<b>BASE</b>		
		Medical	Drugs	Total	Medical	Drugs	Total
18-34	F	\$79	\$12	\$90	\$82	\$8	\$89
35-49	F	\$80	\$19	\$99	\$86	\$12	\$98
50+	F	\$91	\$29	\$120	\$87	\$15	\$101
18-34	M	\$38	\$8	\$46	\$33	\$5	\$38
35-49	M	\$56	\$16	\$72	\$50	\$7	\$57
50+	M	\$89	\$29	\$118	\$84	\$14	\$99

#### CY17 THIRD PARTY PAYMENTS PMPM - Active Employees Only

		<b>SELECT</b>			<b>BASE</b>		
		Medical	Drugs	Total	Medical	Drugs	Total
18-34	F	\$0	\$0	\$0	\$0	\$0	\$0
35-49	F	\$9	\$0	\$9	\$0	\$0	\$0
50+	F	\$23	\$0	\$23	\$0	\$0	\$0
18-34	M	\$35	\$0	\$35	\$1	\$0	\$1
35-49	M	\$10	\$0	\$10	\$1	\$0	\$1
50+	M	\$25	\$0	\$25	\$0	\$0	\$0

## 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 CY17:

#### 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%
<b>CY17</b>	\$29.7	-6%	\$9.6	2%	\$39.3	-4%

## 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.

### Growth in Incurred Claims per Member - NON DRUG

	Plan Primary			Medicare Primary		
	Percent Complete	PMPM	Trend	Percent Complete	PMPM	Trend
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%	\$146.18	-3.6%
CY15	100.0%	\$239.68	0.1%	100.0%	\$152.10	4.0%
CY16	100.0%	\$253.22	5.6%	100.0%	\$153.27	0.8%
CY17*	99.3%	\$252.68	-0.2%	99.0%	\$161.58	5.4%
FY12	100.0%	\$251.69	-3.2%	100.0%	\$147.07	-1.6%
FY13	100.0%	\$261.09	3.7%	100.0%	\$151.33	2.9%
FY14	100.0%	\$256.40	-1.8%	100.0%	\$147.18	-2.7%
FY15	100.0%	\$237.18	-7.5%	100.0%	\$148.82	1.1%
FY16	100.0%	\$251.61	6.1%	100.0%	\$154.63	3.9%
FY17	99.8%	\$251.16	-0.2%	99.9%	\$156.48	1.2%
FY18*	89.1%	\$255.91	1.9%	86.2%	\$164.67	5.2%

\* Based on estimates of outstanding claims.

## 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 \$197.3 million in FY17 to \$209.0 million in FY18, an increase of 5.9%.

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 \$38.1 million in FY17 to \$44.5 million in FY18, an increase of 16.7%.

After estimated incurred rebates, net drug claims increased from \$159.1 million in FY17 to \$164.5 million in FY18, an increase of about 3.3%.

**Drug Cost Trends** – Following are the trends in drug benefit costs per member per month for the last 5 full calendar years. Also shown are the trend in costs for the 1<sup>st</sup> half of CY18 compared to the costs in the 1<sup>st</sup> half of CY17.

### 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
CY13	\$71.02	-\$4.75	\$66.26	15%	-1%	17%
CY14	\$78.29	-\$6.34	\$71.96	10%	33%	9%
CY15	\$87.04	-\$7.01	\$80.03	11%	11%	11%
CY16	\$92.05	-\$16.73	\$75.33	6%	139%	-6%
CY17	\$97.46	-\$20.06	\$77.40	6%	20%	3%
CY17 1H	\$94.80	-\$19.43	\$75.36			
CY18 1H	\$101.80	-\$22.30	\$79.50	7%	15%	5%

## 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>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18*</b>
<b>Monthly Cost</b>					
Employee	\$327	\$313	\$337	\$340	\$350
Spouse Only	\$739	\$698	\$718	\$698	\$667
Full Family	\$716	\$734	\$726	\$716	\$772
Children Only	\$297	\$298	\$330	\$329	\$318
Child Only	\$197	\$165	\$181	\$184	\$202
Disabled Retiree	\$3,012	\$2,568	\$2,751	\$2,487	\$3,159
Early Retiree	\$601	\$600	\$621	\$644	\$656
Retiree Spouse (Non-Medicare)	\$612	\$665	\$658	\$563	\$673
Retiree/Spouse Combined (Medicare)	\$146	\$148	\$153	\$155	\$164
<b>Annual Rate of Increase</b>					
Employee		-4.1%	7.6%	1.0%	2.9%
Spouse Only		-5.6%	2.9%	-2.7%	-4.6%
Full Family		2.6%	-1.0%	-1.5%	7.9%
Children Only		0.3%	11.0%	-0.4%	-3.5%
Child Only		-16.6%	10.2%	1.3%	10.2%
Disabled Retiree		-14.7%	7.1%	-9.6%	27.0%
Early Retiree		-0.2%	3.5%	3.7%	2.0%
Retiree Spouse (Non-Medicare)		8.6%	-1.0%	-14.5%	19.5%
Retiree/Spouse Combined (Medicare)		1.0%	3.8%	1.2%	5.4%
<b>Ratio to Employee Cost</b>					
Employee	1.00	1.00	1.00	1.00	1.00
Spouse Only	2.26	2.23	2.13	2.05	1.91
Full Family	2.19	2.35	2.16	2.10	2.21
Children Only	0.91	0.95	0.98	0.97	0.91
Child Only	0.60	0.53	0.54	0.54	0.58
Disabled Retiree	9.22	8.20	8.17	7.31	9.03
Early Retiree	1.84	1.92	1.84	1.89	1.88
Retiree Spouse (Non-Medicare)	1.88	2.12	1.96	1.66	1.92
Retiree/Spouse Combined (Medicare)	0.45	0.47	0.46	0.46	0.47
<i>* Based on estimates of outstanding claims as of 6/30/18.</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 FY18 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>FY18 Plan Subsidy Costs</b>				
	<u>Premiums</u>	<u>Claims</u>	<u>Expenses less Other Income</u>	<u>Gain (Loss)</u>
Active Dependents	\$105,678,301	(\$131,752,545)	(\$5,011,363)	(\$31,085,607)
COBRA Employees	4,792,156	(15,381,287)	(213,596)	(\$10,802,726)
Disabled Retirees - Plan Primary	1,037,071	(6,697,035)	(44,336)	(\$5,704,301)
Retirees - Plan Primary	51,622,121	(76,445,041)	(2,010,196)	(\$26,833,116)
Retirees - Medicare Primary	44,481,939	(39,782,565)	(4,269,170)	\$430,205
Disabled Retirees - Life Insurance	-	(911,632)	-	(911,632)
Subtotal - Subsidized Classes	<u>\$207,611,588</u>	<u>(\$270,970,104)</u>	<u>(\$11,548,661)</u>	<u>(\$74,907,177)</u>
Active Employees	\$513,553,881	(\$460,056,499)	(\$18,845,049)	\$34,652,333
Total Plan	\$721,165,469	(\$731,026,603)	(\$30,393,709)	(\$40,254,844)

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 FY18 an average of 26,598 active employees (or 23.7% of active employees) covered one or more of their dependents. The State incurred an average monthly subsidy cost of \$97.39 for each of those active employees. Similarly, the State incurred an average monthly subsidy cost of \$265.50 for each early retiree who was not disabled.

<b>FY18 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	26,598	\$31,085,607	\$97.39
COBRA Employees	818	\$10,802,726	\$1,100.80
Disabled Retiree - Plan Primary	170	\$5,704,301	\$2,800.34
Retirees - Plan Primary	8,422	\$26,833,116	\$265.50
Retirees - Medicare Primary	16,345	(\$430,205)	(\$2.19)

## HEALTH INSURANCE EXPERIENCE (Continued)

### Retiree & Dependent Rate Subsidies (Continued)

The table that follows shows the FY18 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 \$55.52 in FY18.

Effect of Plan Subsidy Costs on Active Employee Premium Rate		
	FY18	
	Annual Costs	Monthly Cost per Active Employee
Total Active Employee Costs	\$478,901,547	\$354.97
Subsidy Costs for:		
COBRA Employees	10,802,726	8.01
Dependents of Active Employees	31,085,607	23.04
Disabled Retirees - Plan Primary	5,704,301	4.23
Retirees - Plan Primary	26,833,116	19.89
Retirees - Medicare Primary	(430,205)	(0.32)
Disabled Retirees - Life Insurance	911,632	0.68
Subtotal - Subsidy Costs	\$74,907,177	\$55.52
Total Current Year's Costs	\$553,808,725	\$410.49
less Current Costs Funded by Prior Year's Premium	(40,254,844)	(29.84)
Total Active Employee Premium Current Year	\$513,553,881	\$380.65

## 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 CY17, since the experience for FY18 is significantly incomplete. Claims paid thru June 2018 are allocated to the year in which the claim was incurred. Incurred death benefits shown below include an estimated residual claim liability of about \$88,000 for claims incurred in CY15, \$283,000 for claims incurred in CY16, and \$1,095,000 for claims incurred in CY17; 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					
	CY13	CY14	CY15	CY16	CY17
<b>Active Employees</b>					
Actual "Premium" Contributions	15,391,124	11,699,128	11,856,128	11,990,282	11,897,042
less Premiums to Insurer					
Death Benefits on Active Employees	9,307,354	9,556,043	10,331,924	9,901,663	8,300,863
Death Benefits on Disabled Employees	1,357,354	1,369,581	1,010,521	1,390,047	767,454
Administrative Charges	790,049	560,280	563,347	562,418	549,072
Total Premiums to Insurer	<u>11,454,756</u>	<u>11,485,904</u>	<u>11,905,792</u>	<u>11,854,129</u>	<u>9,617,389</u>
Net Addition to Plan Surplus	<u>3,936,368</u>	<u>213,224</u>	<u>-49,664</u>	<u>136,153</u>	<u>2,279,653</u>
Gain (Loss) Percent	25.6%	1.8%	-0.4%	1.1%	19.2%
<b>Retired Employees</b>					
"Premium" Contributions	4,595,443	4,539,666	4,842,076	5,138,598	5,433,596
less Premiums to Insurer					
Death Benefits	3,156,061	3,194,897	3,851,464	4,291,727	4,811,223
Administration Charges	235,891	217,408	230,072	241,032	250,771
Total Premiums to Insurer	<u>3,391,951</u>	<u>3,412,305</u>	<u>4,081,536</u>	<u>4,532,759</u>	<u>5,061,994</u>
Net Addition to Plan Surplus	<u>1,203,492</u>	<u>1,127,361</u>	<u>760,540</u>	<u>605,838</u>	<u>371,602</u>
Gain (Loss) Percent	26.2%	24.8%	15.7%	11.8%	6.8%
<b>Total Active &amp; Retired</b>					
"Premium" Contributions	19,986,568	16,238,794	16,698,204	17,128,879	17,330,638
Premiums to Insurer					
Death Benefits	13,820,768	14,120,521	15,193,909	15,583,438	13,879,540
Administration Charges	1,025,940	777,688	793,419	803,450	799,843
Total Premiums to Insurer	<u>14,846,708</u>	<u>14,898,210</u>	<u>15,987,328</u>	<u>16,386,888</u>	<u>14,679,383</u>
Net Addition to Plan Surplus	<u>5,139,860</u>	<u>1,340,584</u>	<u>710,877</u>	<u>741,991</u>	<u>2,651,255</u>
Gain (Loss) Percent	25.7%	8.3%	4.3%	4.3%	15.3%



## 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 4.9% for the remainder of CY18 and 6.8% for CY19 thru CY21.

### Plan Projections

Plan projections were prepared for the next 3½ 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 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 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.

Horizon retiree rates 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 is 3%. 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
FY18									\$226		(\$40)
FY19	\$734	(\$755)	(\$39)	(\$59)	(\$0.2)	\$4	(\$55)	-7.5%	\$170	\$34	(\$55)
FY20	\$757	(\$780)	(\$40)	(\$62)	\$0.0	\$4	(\$58)	-7.7%	\$112	\$35	(\$58)
FY21	\$807	(\$806)	(\$41)	(\$40)	\$0.0	\$3	(\$37)	-4.6%	\$75	\$36	(\$37)
FY22	\$857	(\$833)	(\$42)	(\$18)	\$0.0	\$3	(\$15)	-1.8%	\$60	\$37	(\$15)
CY17									\$229		(\$25)
CY18									\$177		(\$52)
CY19	\$746	(\$767)	(\$39)	(\$61)	\$0.0	\$4	(\$57)	-7.6%	\$121	\$34	(\$57)
CY20	\$769	(\$793)	(\$40)	(\$64)	\$0.0	\$3	(\$60)	-7.9%	\$60	\$35	(\$60)
CY21	\$844	(\$820)	(\$41)	(\$17)	\$0.0	\$3	(\$14)	-1.7%	\$46	\$37	(\$14)

	TREND ASSUMPTIONS, NON-MEDICARE			RATE INCREASE ASSUMPTIONS		
	Medical	Drugs*	Total*		Plan Primary	Medicare Primary
CY18 2H	2.00%	4.9%	2.7%	01/01/19	3.0%	2%
CY19	2.00%	6.8%	3.2%	07/01/19		
CY20	2.00%	6.8%	3.2%	01/01/20	3.0%	2%
CY21	2.00%	6.8%	3.2%	07/01/20		
* Net of drug rebates				01/01/21	10.0%	2%

### 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 essentially the same that were used in the CY17 actuarial report, but 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
6	18	311,906,764	86,284,990	225,621,775
7	18	312,314,658	92,201,967	220,112,691
8	18	302,074,207	88,651,457	213,422,749
9	18	294,415,942	82,905,503	211,510,440
10	18	296,560,018	92,219,398	204,340,620
11	18	284,081,593	91,123,104	192,958,489
12	18	268,393,758	91,078,376	177,315,383
1	19	273,505,015	88,672,837	184,832,178
2	19	272,872,206	81,885,202	190,987,004
3	19	268,826,559	79,761,858	189,064,701
4	19	274,841,498	87,175,498	187,665,999
5	19	267,301,963	85,136,862	182,165,100
6	19	257,320,489	86,888,433	170,432,057
7	19	257,644,491	92,905,906	164,738,585
8	19	247,032,827	89,242,909	157,789,918
9	19	239,056,186	83,277,063	155,779,123
10	19	241,126,673	92,774,679	148,351,993
11	19	228,206,564	91,592,808	136,613,756
12	19	211,973,695	91,470,774	120,502,921
1	20	217,169,805	89,089,009	128,080,795
2	20	216,340,837	82,135,404	134,205,433
3	20	211,933,779	79,933,466	132,000,312
4	20	217,938,479	87,576,177	130,362,301
5	20	209,946,290	85,464,597	124,481,693
6	20	199,495,171	87,231,773	112,263,398
7	20	200,158,495	93,877,208	106,281,286
8	20	189,059,957	90,094,677	98,965,280
9	20	180,714,644	83,960,229	96,754,415
10	20	182,686,588	93,724,632	88,961,956
11	20	169,241,182	92,484,489	76,756,693
12	20	152,392,040	92,328,710	60,063,330
1	21	161,841,414	89,974,626	71,866,788
2	21	164,963,611	82,839,369	82,124,242
3	21	164,358,132	80,565,194	83,792,938
4	21	174,522,954	88,443,669	86,079,284
5	21	170,237,396	86,256,902	83,980,493
6	21	163,481,604	88,039,935	75,441,669
7	21	168,215,040	94,872,169	73,342,871
8	21	160,796,658	90,966,022	69,830,636
9	21	156,261,425	84,658,956	71,602,470
10	21	162,323,628	94,698,711	67,624,916
11	21	152,531,594	93,397,506	59,134,088
12	21	139,246,706	93,206,848	46,039,859

\* 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
6	18	72,107,495	-23,149,623	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	645,664
7	18	70,924,786	-15,663,596	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	259,324
8	18	71,256,785	-19,583,151	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	296,370
9	18	69,245,751	-23,355,117	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	333,416
10	18	70,971,443	-15,803,961	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	370,462
11	18	73,757,658	-19,723,515	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	407,508
12	18	77,447,007	-23,494,639	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	444,554
1	19	67,410,932	-15,864,102	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	444,554
2	19	64,601,210	-19,842,015	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	444,554
3	19	66,305,566	-23,669,716	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	444,554
4	19	66,088,670	-16,039,178	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	444,554
5	19	68,027,947	-20,017,092	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	444,554
6	19	73,607,217	-23,844,792	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	444,554
7	19	72,325,095	-16,100,643	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
8	19	72,699,239	-20,137,784	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
9	19	70,618,085	-24,022,476	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
10	19	72,371,552	-16,278,326	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
11	19	75,226,822	-20,315,467	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
12	19	78,989,479	-24,200,159	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
1	20	68,748,261	-16,340,706	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
2	20	65,891,907	-20,437,957	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
3	20	67,632,501	-24,380,488	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
4	20	67,415,758	-16,521,034	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
5	20	69,401,429	-20,618,285	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
6	20	75,111,136	-24,560,817	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
7	20	73,780,098	-16,584,343	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
8	20	74,155,822	-20,742,598	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
9	20	72,022,606	-24,743,830	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
10	20	73,810,535	-16,767,357	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
11	20	76,728,648	-20,925,612	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
12	20	80,574,101	-24,926,844	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
1	21	70,124,780	-16,831,607	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
2	21	67,209,691	-21,051,776	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
3	21	68,996,323	-25,112,583	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
4	21	68,779,562	-17,017,346	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
5	21	70,812,964	-21,237,515	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
6	21	76,656,803	-25,298,322	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
7	21	75,273,269	-17,082,554	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
8	21	75,650,126	-21,365,557	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
9	21	73,464,328	-25,486,826	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
10	21	75,288,316	-17,271,058	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
11	21	78,270,114	-21,554,061	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	0
12	21	82,200,724	-25,675,330	15,457,750	4,874,083	1,237,712	12,238,300	2,873,608	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
7	18	60,196,646	-66,784,498	3,919,555	-3,190,694	-37,046	-5,896,038
8	18	60,196,646	-67,960,443	3,919,555	-3,190,694	-37,046	-7,071,983
9	18	60,196,646	-63,173,866	3,919,555	-3,190,694	-37,046	-2,285,405
10	18	60,196,646	-68,428,621	3,919,555	-3,190,694	-37,046	-7,540,160
11	18	60,196,646	-72,635,766	3,919,555	-3,190,694	-37,046	-11,747,306
12	18	60,196,646	-76,882,666	3,919,555	-3,190,694	-37,046	-15,994,206
1	19	62,135,243	-55,694,954	3,977,914	-3,247,221	0	7,170,982
2	19	62,135,243	-57,059,162	3,977,914	-3,247,221	0	5,806,773
3	19	62,135,243	-65,133,953	3,977,914	-3,247,221	0	-2,268,017
4	19	62,135,243	-64,611,335	3,977,914	-3,247,221	0	-1,745,400
5	19	62,135,243	-68,712,771	3,977,914	-3,247,221	0	-5,846,835
6	19	62,135,243	-74,936,159	3,977,914	-3,247,221	0	-12,070,224
7	19	62,140,982	-68,932,658	4,037,141	-3,271,291	0	-6,025,826
8	19	62,140,982	-70,182,712	4,037,141	-3,271,291	0	-7,275,879
9	19	62,140,982	-65,235,550	4,037,141	-3,271,291	0	-2,328,717
10	19	62,140,982	-70,648,934	4,037,141	-3,271,291	0	-7,742,101
11	19	62,140,982	-74,954,619	4,037,141	-3,271,291	0	-12,047,787
12	19	62,140,982	-79,312,647	4,037,141	-3,271,291	0	-16,405,815
1	20	64,102,791	-57,582,031	4,097,251	-3,329,601	0	7,288,409
2	20	64,102,791	-59,037,450	4,097,251	-3,329,601	0	5,832,991
3	20	64,102,791	-67,364,592	4,097,251	-3,329,601	0	-2,494,151
4	20	64,102,791	-66,798,281	4,097,251	-3,329,601	0	-1,927,840
5	20	64,102,791	-71,039,885	4,097,251	-3,329,601	0	-6,169,444
6	20	64,102,791	-77,368,354	4,097,251	-3,329,601	0	-12,497,913
7	20	64,112,224	-71,172,659	4,158,256	-3,354,660	0	-6,256,839
8	20	64,112,224	-72,501,338	4,158,256	-3,354,660	0	-7,585,518
9	20	64,112,224	-67,386,480	4,158,256	-3,354,660	0	-2,470,660
10	20	64,112,224	-72,964,888	4,158,256	-3,354,660	0	-8,049,069
11	20	64,112,224	-77,371,959	4,158,256	-3,354,660	0	-12,456,139
12	20	64,112,224	-81,844,919	4,158,256	-3,354,660	0	-16,929,099
1	21	70,318,031	-59,553,386	4,220,169	-3,413,394	0	11,571,420
2	21	70,318,031	-61,105,673	4,220,169	-3,413,394	0	10,019,133
3	21	70,318,031	-69,695,688	4,220,169	-3,413,394	0	1,429,118
4	21	70,318,031	-69,082,815	4,220,169	-3,413,394	0	2,041,990
5	21	70,318,031	-73,470,891	4,220,169	-3,413,394	0	-2,346,085
6	21	70,318,031	-79,905,406	4,220,169	-3,413,394	0	-8,780,600
7	21	70,326,197	-73,509,281	4,283,003	-3,439,483	0	-2,339,563
8	21	70,326,197	-74,921,377	4,283,003	-3,439,483	0	-3,751,659
9	21	70,326,197	-69,631,334	4,283,003	-3,439,483	0	1,538,384
10	21	70,326,197	-75,381,484	4,283,003	-3,439,483	0	-4,211,766
11	21	70,326,197	-79,892,895	4,283,003	-3,439,483	0	-8,723,177
12	21	70,326,197	-84,484,763	4,283,003	-3,439,483	0	-13,315,045

**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
7	18	57,005,951	-67,967,208	11,405,581	-423,386	75,000	311,955	407,894
8	18	57,005,951	-67,628,444	0	0	75,000	307,041	-10,240,452
9	18	57,005,951	-65,184,900	147,588	0	75,000	298,096	-7,658,264
10	18	57,005,951	-66,702,928	11,470,712	0	75,000	295,340	2,144,075
11	18	57,005,951	-69,849,552	0	0	75,000	290,176	-12,478,425
12	18	57,005,951	-73,193,317	148,431	0	75,000	276,100	-15,687,835
1	19	58,888,022	-65,731,030	11,608,451	0	75,000	270,814	5,111,257
2	19	58,888,022	-59,868,884	0	0	75,000	273,052	-632,810
3	19	58,888,022	-63,429,597	150,213	0	75,000	270,714	-4,045,647
4	19	58,888,022	-64,828,232	11,608,451	0	75,000	271,698	6,014,939
5	19	58,888,022	-66,773,493	0	0	75,000	270,936	-7,539,535
6	19	58,888,022	-69,356,889	150,213	0	75,000	262,180	-9,981,473
7	19	58,869,691	-70,214,781	11,781,291	-444,554	75,000	257,354	324,001
8	19	58,869,691	-69,808,568	0	0	75,000	252,213	-10,611,664
9	19	58,869,691	-67,316,704	152,450	0	75,000	242,923	-7,976,640
10	19	58,869,691	-68,895,467	11,781,291	0	75,000	239,971	2,070,486
11	19	58,869,691	-72,099,350	0	0	75,000	234,549	-12,920,109
12	19	58,869,691	-75,549,990	152,450	0	75,000	219,980	-16,232,869
1	20	60,773,190	-67,823,249	11,956,704	0	75,000	214,465	5,196,110
2	20	60,773,190	-61,893,804	0	0	75,000	216,647	-828,968
3	20	60,773,190	-65,623,998	154,720	0	75,000	214,030	-4,407,058
4	20	60,773,190	-67,015,023	11,956,704	0	75,000	214,829	6,004,700
5	20	60,773,190	-69,054,215	0	0	75,000	213,835	-7,992,189
6	20	60,773,190	-71,658,646	154,720	0	75,000	204,618	-10,451,118
7	20	60,757,564	-72,503,697	12,134,730	0	75,000	199,727	663,324
8	20	60,757,564	-72,125,614	0	0	75,000	194,512	-11,098,538
9	20	60,757,564	-69,519,696	157,024	0	75,000	184,795	-8,345,313
10	20	60,757,564	-71,176,959	12,134,730	0	75,000	181,610	1,971,944
11	20	60,757,564	-74,453,846	0	0	75,000	175,876	-13,445,406
12	20	60,757,564	-77,999,466	157,024	0	75,000	160,736	-16,849,142
1	21	66,904,637	-70,002,706	12,315,405	0	75,000	157,038	9,449,375
2	21	66,904,637	-64,020,761	0	0	75,000	163,321	3,122,197
3	21	66,904,637	-67,909,056	159,361	0	75,000	164,579	-605,479
4	21	66,904,637	-69,299,577	12,315,405	0	75,000	169,356	10,164,822
5	21	66,904,637	-71,437,489	0	0	75,000	172,294	-4,285,558
6	21	66,904,637	-74,061,566	159,361	0	75,000	166,776	-6,755,792
7	21	66,886,715	-74,892,816	12,498,771	0	75,000	165,765	4,733,436
8	21	66,886,715	-74,544,520	0	0	75,000	164,424	-7,418,382
9	21	66,886,715	-71,817,131	161,734	0	75,000	158,450	-4,535,233
10	21	66,886,715	-73,557,497	12,498,771	0	75,000	159,213	6,062,202
11	21	66,886,715	-76,911,097	0	0	75,000	157,349	-9,792,033
12	21	66,886,715	-80,554,153	161,734	0	75,000	145,816	-13,284,888

**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	113,246	\$376	0.0%	\$387	2.9%	526,049,686	-489,128,362	-26,089,155	10,832,170	2%
Spouse Only	Active	4,079	\$443	0.0%	\$456	2.9%	21,654,573	-33,596,233	-1,073,947	-13,015,607	-60%
Full Family	Active	5,243	\$647	0.0%	\$666	2.9%	40,868,486	-49,989,517	-2,026,851	-11,147,883	-27%
Children Only	Act/Ret	7,397	\$312	0.0%	\$321	2.9%	27,461,759	-29,015,341	-1,361,951	-2,915,534	-11%
Child Only	Act/Ret	10,601	\$155	0.0%	\$160	3.2%	19,123,768	-26,441,193	-948,433	-8,265,858	-43%
Disabled Employee	Retired	170	\$432	0.0%	\$445	3.0%	892,854	-6,624,202	-47,205	-5,778,553	-647%
Employee	Retired	8,422	\$432	0.0%	\$445	3.0%	44,299,660	-68,382,695	-2,000,793	-26,083,828	-59%
Spouse Only	Retired	1,167	\$509	0.0%	\$524	2.9%	7,230,230	-9,704,733	-283,948	-2,758,452	-38%
Full Family	Retired	201	\$744	0.0%	\$765	2.8%	1,815,729	-1,610,015	-47,107	158,606	9%
Family (1 On Medicare)	Retired	59	\$339	0.0%	\$348	2.7%	242,591	-349,972	-10,240	-117,622	-48%
Spouse Only (Medicare)	Retired	2,838	\$184	0.0%	\$188	2.2%	6,334,449	-6,078,258	-676,672	-420,481	-7%
Employee (Medicare)	Retired	17,032	\$184	0.0%	\$188	2.2%	38,017,549	-33,708,862	-4,061,190	247,496	1%
Total Health Insurance							733,991,332	-754,629,384	-38,627,492	-59,265,544	-8.1%
<b>RECAP BY SUBGROUP</b>											
Active Employees							526,049,686	-489,128,362	-26,089,155	10,832,170	2%
Dependents Of Active Employees							109,108,585	-139,042,284	-5,411,182	-35,344,881	-32%
Disabled Retirees (Regular)							892,854	-6,624,202	-47,205	-5,778,553	-647%
Retirees & Dependents (Regular)							53,588,209	-80,047,416	-2,342,088	-28,801,295	-54%
Retirees & Spouse Only (Medicare)							44,351,998	-39,787,121	-4,737,862	-172,985	0%
Total Health Insurance							733,991,332	-754,629,384	-38,627,492	-59,265,544	-8.1%
Life Insurance Gain										900,000	
Interest Income										3,398,102	
ACA Imposed Fees										-222,276	
Total Gain (Loss)										-55,189,718	-7.5%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										225,621,775	
Change In Surplus										-55,189,718	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										170,432,057	
<b>Active Employee Premium Summary</b>											
Employer Contributions							487,712,805				
Employee Contributions							34,465,267				
COBRA Premiums							3,871,615				
Total Active Employee Premium							526,049,686				

\* 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	113,246	\$387	0.0%	\$398	2.8%	542,059,362	-504,543,743	-26,617,194	10,898,424	2%
Spouse Only	Active	4,079	\$456	0.0%	\$470	3.1%	22,291,407	-34,687,838	-1,094,594	-13,491,025	-61%
Full Family	Active	5,243	\$666	0.0%	\$686	3.0%	42,064,861	-51,565,635	-2,065,546	-11,566,320	-27%
Children Only	Act/Ret	7,397	\$321	0.0%	\$331	3.1%	28,261,473	-29,915,155	-1,387,747	-3,041,429	-11%
Child Only	Act/Ret	10,601	\$160	0.0%	\$165	3.1%	19,696,330	-27,209,194	-967,165	-8,480,029	-43%
Disabled Employee	Retired	170	\$445	0.0%	\$457	2.7%	918,345	-6,835,873	-48,151	-5,965,679	-650%
Employee	Retired	8,422	\$445	0.0%	\$457	2.7%	45,564,399	-70,714,322	-2,040,998	-27,190,921	-60%
Spouse Only	Retired	1,167	\$524	0.0%	\$541	3.2%	7,453,836	-10,025,371	-289,358	-2,860,893	-38%
Full Family	Retired	201	\$765	0.0%	\$789	3.1%	1,869,794	-1,672,503	-48,273	149,018	8%
Family (1 On Medicare)	Retired	59	\$348	0.0%	\$357	2.6%	248,949	-361,777	-10,442	-123,269	-50%
Spouse Only (Medicare)	Retired	2,881	\$188	0.0%	\$192	2.1%	6,567,736	-6,292,821	-703,203	-428,288	-7%
Employee (Medicare)	Retired	17,747	\$188	0.0%	\$192	2.1%	40,466,151	-35,827,127	-4,332,685	306,339	1%
Total Health Insurance							757,462,642	-779,651,359	-39,605,356	-61,794,073	-8.2%
<b>RECAP BY SUBGROUP</b>											
Active Employees							542,059,362	-504,543,743	-26,617,194	10,898,424	2%
Dependents Of Active Employees							112,314,071	-143,377,822	-5,515,052	-36,578,803	-33%
Disabled Retirees (Regular)							918,345	-6,835,873	-48,151	-5,965,679	-650%
Retirees & Dependents (Regular)							55,136,978	-82,773,972	-2,389,071	-30,026,065	-54%
Retirees & Spouse Only (Medicare)							47,033,887	-42,119,948	-5,035,888	-121,949	0%
Total Health Insurance							757,462,642	-779,651,359	-39,605,356	-61,794,073	-8.2%
Life Insurance Gain										900,000	
Interest Income										2,725,415	
ACA Imposed Fees										0	
Total Gain (Loss)										-58,168,659	-7.7%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										170,432,057	
Change In Surplus										-58,168,659	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										112,263,398	
<b>Active Employee Premium Summary</b>											
Employer Contributions							502,553,279				
Employee Contributions							35,516,568				
COBRA Premiums							3,989,515				
Total Active Employee Premium							542,059,362				

\* 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	Prem	Rate	Prem	Rate	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
		07/01/20	Rate*	Rate*	Rate*	Rate*					
		06/30/21	07/01/20	07/01/20	01/01/21	01/01/21					
Employee	Active	113,246	\$398	0.0%	\$436	9.5%	577,470,130	-520,614,943	-27,142,781	29,712,407	5%
Spouse Only	Active	4,079	\$470	0.0%	\$517	10.0%	23,761,467	-35,827,168	-1,116,858	-13,182,559	-55%
Full Family	Active	5,243	\$686	0.0%	\$755	10.1%	44,857,782	-53,208,831	-2,108,447	-10,459,495	-23%
Children Only	Act/Ret	7,397	\$331	0.0%	\$364	10.0%	30,115,345	-30,852,677	-1,415,509	-2,152,841	-7%
Child Only	Act/Ret	10,601	\$165	0.0%	\$182	10.3%	21,006,292	-28,007,311	-987,357	-7,988,376	-38%
Disabled Employee	Retired	170	\$457	0.0%	\$501	9.6%	974,469	-7,056,662	-49,109	-6,131,302	-629%
Employee	Retired	8,422	\$457	0.0%	\$501	9.6%	48,349,427	-73,152,053	-2,081,650	-26,884,275	-56%
Spouse Only	Retired	1,167	\$541	0.0%	\$594	9.8%	7,935,362	-10,360,229	-294,816	-2,719,683	-34%
Full Family	Retired	201	\$789	0.0%	\$868	10.0%	1,991,869	-1,738,109	-49,460	204,299	10%
Family (1 On Medicare)	Retired	59	\$357	0.0%	\$378	5.9%	259,424	-374,113	-10,646	-125,336	-48%
Spouse Only (Medicare)	Retired	2,924	\$192	0.0%	\$196	2.1%	6,806,597	-6,514,957	-730,582	-438,943	-6%
Employee (Medicare)	Retired	18,493	\$192	0.0%	\$196	2.1%	43,053,372	-38,078,504	-4,621,111	353,757	1%
Total Health Insurance							806,581,534	-805,785,557	-40,608,326	-39,812,349	-4.9%
<b>RECAP BY SUBGROUP</b>											
Active Employees							577,470,130	-520,614,943	-27,142,781	29,712,407	5%
Dependents Of Active Employees							119,740,886	-147,895,986	-5,628,171	-33,783,271	-28%
Disabled Retirees (Regular)							974,469	-7,056,662	-49,109	-6,131,302	-629%
Retirees & Dependents (Regular)							58,536,081	-85,624,504	-2,436,572	-29,524,995	-50%
Retirees & Spouse Only (Medicare)							49,859,968	-44,593,461	-5,351,693	-85,186	0%
Total Health Insurance							806,581,534	-805,785,557	-40,608,326	-39,812,349	-4.9%
Life Insurance Gain										900,000	
Interest Income										2,090,619	
ACA Imposed Fees										0	
Total Gain (Loss)										-36,821,729	-4.6%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										112,263,398	
Change In Surplus										-36,821,729	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										75,441,669	
<b>Active Employee Premium Summary</b>											
Employer Contributions							535,609,181				
Employee Contributions							37,617,072				
COBRA Premiums							4,243,877				
Total Active Employee Premium							577,470,130				

\* 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	Prem	Rate	Prem	Rate	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
		01/01/19	Rate*	Rate*	Rate*						
		12/31/19	01/01/19	01/01/19	07/01/19						
Employee	Active	113,246	\$387	2.9%	\$387	0.0%	534,045,397	-496,997,455	-26,353,772	10,694,170	2%
Spouse Only	Active	4,079	\$456	2.9%	\$456	0.0%	21,954,411	-34,184,954	-1,083,394	-13,313,937	-61%
Full Family	Active	5,243	\$666	2.9%	\$666	0.0%	41,434,189	-50,797,592	-2,044,671	-11,408,074	-28%
Children Only	Act/Ret	7,397	\$321	2.9%	\$321	0.0%	27,833,264	-29,467,133	-1,373,500	-3,007,369	-11%
Child Only	Act/Ret	10,601	\$160	3.2%	\$160	0.0%	19,405,737	-26,824,221	-957,623	-8,376,107	-43%
Disabled Employee	Retired	170	\$445	3.0%	\$445	0.0%	906,465	-6,735,655	-47,686	-5,876,876	-648%
Employee	Retired	8,422	\$445	3.0%	\$445	0.0%	44,974,815	-69,606,869	-2,021,619	-26,653,673	-59%
Spouse Only	Retired	1,167	\$524	2.9%	\$524	0.0%	7,338,882	-9,861,575	-286,414	-2,809,107	-38%
Full Family	Retired	201	\$765	2.8%	\$765	0.0%	1,841,738	-1,640,067	-47,633	154,037	8%
Family (1 On Medicare)	Retired	59	\$348	2.7%	\$348	0.0%	245,862	-355,070	-10,312	-119,521	-49%
Spouse Only (Medicare)	Retired	2,859	\$188	2.2%	\$188	0.0%	6,450,781	-6,178,475	-689,817	-417,511	-6%
Employee (Medicare)	Retired	17,387	\$188	2.2%	\$188	0.0%	39,225,813	-34,676,059	-4,194,631	355,123	1%
Total Health Insurance							745,657,353	-767,325,125	-39,111,074	-60,778,846	-8.2%
<b>RECAP BY SUBGROUP</b>											
Active Employees							534,045,397	-496,997,455	-26,353,772	10,694,170	2%
Dependents Of Active Employees							110,627,600	-141,273,899	-5,459,189	-36,105,488	-33%
Disabled Retirees (Regular)							906,465	-6,735,655	-47,686	-5,876,876	-648%
Retirees & Dependents (Regular)							54,401,297	-81,463,582	-2,365,978	-29,428,264	-54%
Retirees & Spouse Only (Medicare)							45,676,595	-40,854,534	-4,884,448	-62,388	0%
Total Health Insurance							745,657,353	-767,325,125	-39,111,074	-60,778,846	-8.2%
Life Insurance Gain										900,000	
Interest Income										3,066,385	
ACA Imposed Fees										0	
Total Gain (Loss)										-56,812,461	-7.6%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										177,315,383	
Change In Surplus										-56,812,461	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										120,502,921	
<b>Active Employee Premium Summary</b>											
Employer Contributions							495,132,178				
Employee Contributions							34,980,063				
COBRA Premiums							3,933,155				
Total Active Employee Premium							534,045,397				

\* 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*	Rate					
		12/31/20	01/01/20	01/01/20	07/01/20	07/01/20					
Employee	Active	113,246	\$398	2.8%	\$398	0.0%	550,084,436	-512,741,046	-26,883,743	10,459,647	2%
Spouse Only	Active	4,079	\$470	3.1%	\$470	0.0%	22,614,819	-35,301,358	-1,105,232	-13,791,772	-61%
Full Family	Active	5,243	\$686	3.0%	\$686	0.0%	42,660,622	-52,407,564	-2,084,911	-11,831,854	-28%
Children Only	Act/Ret	7,397	\$331	3.1%	\$331	0.0%	28,675,920	-30,385,414	-1,401,450	-3,110,944	-11%
Child Only	Act/Ret	10,601	\$165	3.1%	\$165	0.0%	19,977,259	-27,607,167	-976,329	-8,606,237	-43%
Disabled Employee	Retired	170	\$457	2.7%	\$457	0.0%	930,909	-6,952,020	-48,644	-6,069,754	-652%
Employee	Retired	8,422	\$457	2.7%	\$457	0.0%	46,187,619	-71,993,176	-2,062,276	-27,867,833	-60%
Spouse Only	Retired	1,167	\$541	3.2%	\$541	0.0%	7,576,976	-10,189,295	-291,877	-2,904,196	-38%
Full Family	Retired	201	\$789	3.1%	\$789	0.0%	1,899,518	-1,703,993	-48,812	146,713	8%
Family (1 On Medicare)	Retired	59	\$357	2.6%	\$357	0.0%	252,221	-367,086	-10,515	-125,380	-50%
Spouse Only (Medicare)	Retired	2,902	\$192	2.1%	\$192	0.0%	6,686,852	-6,396,575	-716,845	-426,568	-6%
Employee (Medicare)	Retired	18,118	\$192	2.1%	\$192	0.0%	41,742,942	-36,855,103	-4,474,933	412,906	1%
Total Health Insurance							769,290,093	-792,899,796	-40,105,568	-63,715,272	-8%
<b>RECAP BY SUBGROUP</b>											
Active Employees							550,084,436	-512,741,046	-26,883,743	10,459,647	2%
Dependents Of Active Employees							113,928,620	-145,701,503	-5,567,923	-37,340,806	-33%
Disabled Retirees (Regular)							930,909	-6,952,020	-48,644	-6,069,754	-652%
Retirees & Dependents (Regular)							55,916,333	-84,253,549	-2,413,480	-30,750,696	-55%
Retirees & Spouse Only (Medicare)							48,429,795	-43,251,678	-5,191,778	-13,662	0%
Total Health Insurance							769,290,093	-792,899,796	-40,105,568	-63,715,272	-8.3%
Life Insurance Gain										900,000	
Interest Income										2,375,680	
ACA Imposed Fees										0	
Total Gain (Loss)										-60,439,591	-7.9%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										120,502,921	
Change In Surplus										-60,439,591	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										60,063,330	
<b>Active Employee Premium Summary</b>											
Employer Contributions							509,972,652				
Employee Contributions							36,060,503				
COBRA Premiums							4,051,282				
Total Active Employee Premium							550,084,436				

\* 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	113,246	\$436	9.5%	\$436	0.0%	604,898,222	-529,157,411	-27,411,962	48,328,849	8%
Spouse Only	Active	4,079	\$517	10.0%	\$517	0.0%	24,861,933	-36,466,775	-1,126,660	-12,731,501	-51%
Full Family	Active	5,243	\$755	10.1%	\$755	0.0%	46,933,382	-54,086,369	-2,126,864	-9,279,850	-20%
Children Only	Act/Ret	7,397	\$364	10.0%	\$364	0.0%	31,508,579	-31,342,346	-1,427,863	-1,261,630	-4%
Child Only	Act/Ret	10,601	\$182	10.3%	\$182	0.0%	22,001,248	-28,420,970	-997,023	-7,416,745	-34%
Disabled Employee	Retired	170	\$501	9.6%	\$501	0.0%	1,020,537	-7,177,746	-49,601	-6,206,810	-608%
Employee	Retired	8,422	\$501	9.6%	\$501	0.0%	50,634,567	-74,488,516	-2,102,937	-25,956,886	-51%
Spouse Only	Retired	1,167	\$594	9.8%	\$594	0.0%	8,319,267	-10,531,615	-297,325	-2,509,674	-30%
Full Family	Retired	201	\$868	10.0%	\$868	0.0%	2,089,710	-1,771,117	-50,002	268,591	13%
Family (1 On Medicare)	Retired	59	\$378	5.9%	\$378	0.0%	267,057	-379,644	-10,718	-123,305	-46%
Spouse Only (Medicare)	Retired	2,946	\$196	2.1%	\$196	0.0%	6,928,554	-6,622,374	-744,582	-438,402	-6%
Employee (Medicare)	Retired	18,879	\$196	2.1%	\$196	0.0%	44,402,316	-39,171,077	-4,771,726	459,512	1%
Total Health Insurance							843,865,372	-819,615,962	-41,117,262	-16,867,852	-2%
<b>RECAP BY SUBGROUP</b>											
Active Employees							604,898,222	-529,157,411	-27,411,962	48,328,849	8%
Dependents Of Active Employees							125,305,142	-150,316,459	-5,678,410	-30,689,727	-24%
Disabled Retirees (Regular)							1,020,537	-7,177,746	-49,601	-6,206,810	-608%
Retirees & Dependents (Regular)							61,310,601	-87,170,893	-2,460,981	-28,321,274	-46%
Retirees & Spouse Only (Medicare)							51,330,870	-45,793,452	-5,516,308	21,110	0%
Total Health Insurance							843,865,372	-819,615,962	-41,117,262	-16,867,852	-2.0%
Life Insurance Gain										900,000	
Interest Income										1,944,381	
ACA Imposed Fees										0	
Total Gain (Loss)										-14,023,471	-1.7%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										60,063,330	
Change In Surplus										-14,023,471	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										46,039,859	
<b>Active Employee Premium Summary</b>											
Employer Contributions							561,239,744				
Employee Contributions							39,203,496				
COBRA Premiums							4,454,982				
Total Active Employee Premium							604,898,222				

\* 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 for the remainder of 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	
6	18	\$225.6	\$48.3	\$56.8	\$105.1	\$120.5
7	18	\$220.1	\$42.8	\$56.8	\$99.6	\$120.5
8	18	\$213.4	\$36.1	\$56.8	\$92.9	\$120.5
9	18	\$211.5	\$34.2	\$56.8	\$91.0	\$120.5
10	18	\$204.3	\$27.0	\$56.8	\$83.8	\$120.5
11	18	\$193.0	\$15.6	\$56.8	\$72.5	\$120.5
12	18	\$177.3	\$0.0	\$56.8	\$56.8	\$120.5
1	19	\$184.8	\$0.0	\$64.3	\$64.3	\$120.5
2	19	\$191.0	\$0.0	\$70.5	\$70.5	\$120.5
3	19	\$189.1	\$0.0	\$68.6	\$68.6	\$120.5
4	19	\$187.7	\$0.0	\$67.2	\$67.2	\$120.5
5	19	\$182.2	\$0.0	\$61.7	\$61.7	\$120.5
6	19	\$170.4	\$0.0	\$49.9	\$49.9	\$120.5
7	19	\$164.7	\$0.0	\$44.2	\$44.2	\$120.5
8	19	\$157.8	\$0.0	\$37.3	\$37.3	\$120.5
9	19	\$155.8	\$0.0	\$35.3	\$35.3	\$120.5
10	19	\$148.4	\$0.0	\$27.8	\$27.8	\$120.5
11	19	\$136.6	\$0.0	\$16.1	\$16.1	\$120.5
12	19	\$120.5	\$0.0	\$0.0	\$0.0	\$120.5

## PLAN PROJECTIONS (Continued)

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

Following is an analysis of estimated incurred claims for FY18 versus those projected for FY19 thru FY21.

<b>Analysis of Projected Incurred Claims Costs by Premium Class</b>				
	<b>FY18*</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
<b>Monthly Cost</b>				
Employee	\$350	\$360	\$371	\$383
Spouse Only	\$667	\$686	\$709	\$732
Full Family	\$772	\$795	\$820	\$846
Children Only	\$318	\$327	\$337	\$348
Child Only	\$202	\$208	\$214	\$220
Disabled Retiree	\$3,159	\$3,252	\$3,356	\$3,464
Early Retiree	\$656	\$677	\$700	\$724
Retiree/Spouse Combined (Medicare)	\$164	\$167	\$170	\$174
<b>Annual Rate of Increase</b>				
Employee		2.9%	3.2%	3.2%
Spouse Only		3.0%	3.2%	3.3%
Full Family		2.9%	3.2%	3.2%
Children Only		2.9%	3.1%	3.1%
Child Only		2.7%	2.9%	2.9%
Disabled Retiree		2.9%	3.2%	3.2%
Early Retiree		3.1%	3.4%	3.4%
Retiree/Spouse Combined (Medicare)		2.0%	2.0%	2.0%
<b>Ratio to Employee Cost</b>				
Employee	1.00	1.00	1.00	1.00
Spouse Only	1.91	1.91	1.91	1.91
Full Family	2.21	2.21	2.21	2.21
Children Only	0.91	0.91	0.91	0.91
Child Only	0.58	0.58	0.58	0.57
Disabled Retiree	9.03	9.03	9.04	9.04
Early Retiree	1.88	1.88	1.88	1.89
Retiree/Spouse Combined (Medicare)	0.47	0.46	0.46	0.45
<i>* Based on estimates of outstanding claims as of 6/30/18</i>				

## 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 FY18 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 \$229 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 were 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** – The Plan is expected to have paid 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	\$0.423		\$0.423	\$0.397	\$4.590	\$4.987
2018	\$0.445		\$0.445	\$0.423		\$0.423
2019				\$0.445		\$0.445
Total	\$2.533	\$22.550	\$25.083	\$2.533	\$22.550	\$25.083

## 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	10.2%*	3.0%	3.0%	3.0%
Drug Benefit Trend, After Rebates	4.9%	6.8%	6.8%	6.8%

\*Projected rebates for the second half of CY18 were based on estimated rebates for the first half of CY18, increased by about 1½ %. Compared to the rebates for the 2<sup>nd</sup> half of CY17, this represents an increase of about 10.2% in the 2<sup>nd</sup> half of CY18.

### Administrative Expenses

Excluding life insurance contractual expenses and fees associated with ACA, Plan expenses were \$35.6 million in FY18 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

FY19 health insurance expenses are projected to be approximately 5.3% of projected FY19 premium.

## ASSUMPTIONS (Continued)

### Interest

Interest income was assumed to be earned and received at an annual rate of 1.2% 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 assumed proportion of active employees that are Horizon employees versus Legacy employees is as follows:

	Horizon	Legacy
CY18 2H	54.5%	45.5%
CY19 1H	55.8%	44.2%
CY19 2H	57.2%	42.8%
CY20 1H	58.5%	41.5%
CY20 2H	59.9%	40.1%
CY21 1H	61.2%	38.8%
CY21 2H	62.6%	37.4%

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			