



## **AGENDA**

**State and Public School Life and Health Insurance Board**

**February 24<sup>th</sup>, 2020**

**1:00 p.m.**

**EBD Board Room – 501 Building, Suite 500**

- I. Call to Order ..... Carla Haugen, Chair***
- II. Approval of January Minutes ..... Carla Haugen, Chair***
- III. Benefits Subcommittee Update..... Chris Howlett, EBD Director***
- IV. Plan Update .....Paul Sakhrani, & Courtney White, Milliman***
- V. Director's Report..... Chris Howlett, EBD Director***
- VI. Adjournment..... Carla Haugen, Chair***

***2020 Upcoming Meetings:***

***March 31<sup>st</sup>, April 14<sup>th</sup>, May 19<sup>th</sup>***

***NOTE: All material for this meeting will be available by electronic means only***

***Notice: Silence your cell phones. Keep your personal conversations to a minimum.***

# STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE BOARD MEETING MINUTES

197<sup>th</sup> meeting of the State and Public School Life and Health Insurance Board (hereinafter called the Board), met on February 24, 2020, at 1:00 PM in the EBD Board Room, 501 Woodlane, Suite 500, Little Rock AR 72201.

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*Date | time 2/24/2020 1:00 PM | meeting called to order by Carla Haugen, Chair*

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## **Attendance**

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### **Members Present**

Cindy Allen  
Stephanie Lilly-Palmer  
Greg Rogers  
Dori Gutierrez  
Cindy Gillespie – Proxy – Damian Hicks  
Dr. Terry Fiddler  
Melissa Moore – Proxy – Susan Brown  
Carla Haugen – Chair  
Renee Mallory - Vice-Chair  
Amy Fecher  
Dr. John Kirtley  
Chris Howlett, Employee Benefits Division Director

### **Members Absent**

Dr. Lanita White  
Lisa Sherrill  
Herb Scott

### **OTHERS PRESENT:**

Rhoda Classen, Bonnie Casey, Theresa Huber, John Ashley, Sharon Parker, EBD; Oktawia DeYoung, Micah Bard, Dwight Davis, UAMS EBRX; Sylvia Landers, Colonial Life; Takisha Sanders, Jessica Akins, Health Advantage; Elizabeth Montgomery, ACHI; Mark Adkison, Stephen Carroll, AllCare Specialty; Courtney White, Paul Sakhrani, Milliman; Andy Davis, ADG; Frances Bauman, Novo Nordisk; Sean Seago, MERCK; Marc Bagby, Lilly; Ronda Walthall, ARDOT; David Kizzia, AEA; John Vinson, APA; Julie Gregan, UCB; Ray Crews, VisionCare Direct; Kaden James, James Ashford, VCD

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## **Approval of Minutes by Carla Haugen, Chair**

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### **MOTION** by Lilly-Palmer:

Motion to accept the January 27, 2020 minutes.

Dr. Kirtley seconded; all were in favor.

**Minutes Approved.**

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## **Benefits Subcommittee Update by Chris Howlett, EBD Director**

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Howlett provided an update on the financials and a review of the Benefits subcommittee meeting. Howlett started with the migration of putting our financials in AASIS; we are having some issues with reporting, so that will come at a delay.

**Benefits Topics Discussed:**

- Approval of Minutes
- Plan Update
- Director's Report

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**Plan Update by Courtney White & Paul Sakhrani, Milliman**

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Sakhrani and White provided an educational piece on financial statements and an update on plan experience for ASE and PSE.

ASE

- Updated projections show a reduction in net income of \$480K in 2019 and \$12.5M in 2020 (Changes shown relative to January board meeting).
  - Higher medical claims due to emerging experience and handling of the claim payment timing
  - Lower pharmacy claims
  - Lower employee contributions (2020)
- 2019 plan experience
  - Estimated surplus of \$13.9M
  - Estimated unallocated net assets at the end of 2019 are \$8.8M
- 2020 plan experience
  - Allocated reserves for 2020 is \$25.1M
  - Estimated surplus of \$6.1M
  - Estimated unallocated net assets at the end of 2020 are \$2.7M
  - No plan changes / 5% increase in employee contributions

PSE

- Updated projections show an increase in net income of \$2.5M in 2019 and a reduction of \$9.1M in 2020 (Changes shown relative to November board meeting).
  - Lower medical claims (2019)
  - Higher medical claims due to emerging experience and handling of the claim payments timing
  - Lower PPE and employee contributions (2020)
- 2019 plan experience
  - Estimated surplus of \$240K
  - Estimated unallocated net assets at the end of 2019 are \$14.7M
- 2020 plan experience
  - Allocated reserves for 2020 is \$25.2M
  - Estimated deficit of \$13.6M
  - Estimated unallocated net assets at the end of 2020 are \$1.0M
  - Allocated reserves for 2020 is 25.3M
  - No plan changes / 0% increase to employee contributions

Discussion:

- Dr. Fiddler: Could you give me examples of where the pot to make unallocated reserves comes from? Where does the money come from to create an unallocated reserve?
- Howlett: It's the same pool of money and whatever the Board allocates.
- Dr. Fiddler: Whatever is left over is left over in that pool that is not allocated becomes unallocated?
- Howlett: Yes.
- White: It's income minus outcome. If it's a positive number, it goes into your checking account, and if not, then you have to pull from your checking account to pay.
- Dr. Fiddler: On slide 12, how did you come up with the idea that there was going to be \$8.75 million in pharmacy savings in 2020?
- White: We have talked to EBD and the pharmacy department, along with what we have seen through the specialty coupon program in the last six months of the year, and extrapolated to 2020. That is based on some of the data we have seen as well as conversations with the pharmacy department.
- Dr. Fiddler: Nothing against you all, but is that a real number? Do we have to have managers to make this?
- White: We see real savings come in in the claims data.
- Dr. Kirtley: It is similar to the rebate program. Because it is a newer strand of business for the plan, they are just now starting to get concrete information on how much money that is to be extrapolated now. So, it's not completely fed in there, but on the front end, we know what our specialty mix has been for years. We know what type of dollars should be attached if it continues that way with the savings from the coupon.
- Dr. Fiddler: Is it more based on the amount of where you believe that the particular drugs are going to maintain their costs without increasing largely in cost versus the number of employees, or participants not participating in the plan so that they won't be buying those drugs?
- Dr. Kirtley: I think those are actually two fairly different things. I think it would be based on that you know that you have this many people currently on the plan that are using this mix of drugs, that are going to get this type of rebate or coupon attached under this type of new program. You would have to get into the nuances of the specific contracts, but many times when you do a deal like that, you lock pricing or have a pricing guarantee, or the coupons are guaranteed for a specific length of time. I don't have any knowledge of the microfacets of that, but that is generally how a lot of those contracts work.
- White: We have assumed that the utilization and the cost of the scripts will continue to go up based on EBD trends and national trends. This is a kind of mechanism on the back to reduce the cost-sharing for the member. That is like a rebate dollar that comes back to EBD. We're not assuming any kind of reduced utilization to benefit design or medical management; this is a financing mechanism that the specialty pharmacies are helping to implement.
- Dr. Kirtley: One of the things you have to remember, at one-point specialty drug biologics were something like 0.6% of the overall drug volume, but at that point, they were in the high 20<sup>th</sup> percentile of the cost. When it got to 1% of the number of drug claims, it was

something like 36% of the cost. Even on a very small volume of prescriptions those are very high cost, any savings adds up very, very quickly. The \$8 million dollars, 30% of a \$120-\$130 million drug plan, on specialty is not that much.

Howlett: We know what we have negotiated and signed under nondisclosure, but we know what percentage or dollar amount would be attributed back based on spend, so we would know what would be coming back. We know what it produced in the last six months of 2019, there is a small delta there, but we know that that is a base expectation moving forward. We didn't get overzealous producing it; we just went with what we, so to speak, guarantee.

Dr. Fiddler: Worst case scenario, I only have two years behind me, so you would have to help me with this if the pharmacy prices get out of hand. Say you have a worldwide virus that goes around and all those bets are off because you would have to bring in more.

Howlett: We would still have the recoupment coming back based on the negotiated amounts. We would have an increase in spend, and the difference would be made up of the catastrophic, which is why it's there. In part, that catastrophic is considered an allocated asset, so it is still separate from our unallocated reserves.

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

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Howlett provided an update on the wellness and the bus driver bill. We are still looking at the comparison of the wellness data year over year and some of the other specific questions that have come up from the Board and subcommittees. We will be prepared in the near future for an update. We are prepping, as we go into the spring, some of the real-time data with the actuarial staff, Milliman, as well as looking at some of the funding and other contribution things as we prepare to go towards the summer months as far as rates and other plan decisions. We have confirmation from the bus driver bill that 1,601 additional people met the needs and are determined by the district superintendents to qualify to be on the health plan. As a frame of reference, there was a potential of 3,389 individuals.

**MOTION** by Dr. Kirtley:

I motion to adjourn the meeting.

Lilly-Palmer seconded; all were in favor.

**Meeting Adjourned.**

## **State and Public School Life and Health Insurance Board Benefits Subcommittee Summary Report**

The following report resulted from a meeting of the Benefits Subcommittee meeting on Friday, February 14, 2020.

### **Topics Discussed:**

- Approval of Minutes
- Plan Update
- Director's Report

### **Plan Update: Paul Sakhrani, Milliman**

Sakhrani provided an educational piece on financial statements and an update on plan experience for ASE and PSE.

#### **ASE**

- Updated projections show a reduction in net income of \$480K in 2019 and \$12.5M in 2020 (Changes shown relative to January board meeting).
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**Director's Report: Chris Howlett, EBD Director**

Howlett provided an update on some outstanding requests in regard to the movement of the population, the bus driver bill, and Catapult.

# State of Arkansas Employee Benefits Division

## Interim Monitoring Report

Through January 31st

State and Public School Life and Health Insurance Board of Directors

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

24 FEBRUARY 2020





# Agenda

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

# What is a financial statement?

A summary of financial activities. Common financial statements include balance sheets and statements of cash flows.

# Balance Sheet vs. Statement of Cash Flows



## Balance sheet

- Shows assets (what is owned) and liabilities (what is owed) at a specific point in time



## Statement of cash flows

- Shows the movement of cash over time

# Balance Sheet

Assets		Liabilities	
Cash	\$500	Mortgage	\$150,000
Savings Account	\$3,000	Credit Card Balance	\$7,500
Investments	\$1,500	Student Loan	\$60,000
House	\$175,000	Car Loan	\$32,500
Retirement Savings	\$20,000		
Car	\$40,000		
Total Assets	\$240,000	Total Liabilities	\$250,000



# Statement of Cash Flows

Cash Inflows	
Monthly Income	\$4,250
Year-End Bonus	\$750
<b>Total Inflows</b>	<b>\$5,000</b>
Cash Outflows	
Rent	\$1,500
Electricity and Water	\$150
Groceries	\$250
Phone and Internet	\$175
Health Insurance	\$450
Credit Card Payment	\$750
Car Payment	\$625
Car Insurance	\$100
Student Loan Payment	\$1,500
<b>Total Outflows</b>	<b>\$5,500</b>
<b>Ending Cash Balance</b>	<b>(\$500)</b>

More losses would eat into savings or require investment liquidation

\$500 cash on Balance Sheet is now \$0

# Balance Sheet

Assets		Liabilities	
Bank Account	\$19,769,628	Accounts Payable	\$12,250
State Treasury	\$132,021,390	Health IBNR	\$27,000,000
Accounts Receivable	\$4,091,545	Rx IBNR	\$1,000,000
Due from ASE	\$187,802		
<b>Total Assets</b>	<b>\$156,070,366</b>	<b>Total Liabilities</b>	<b>\$28,012,250</b>

Net Assets Available	\$128.1M
Allocated Assets	\$107.3M
FICA/Unallocated Assets	\$20.7M

# Statement of Cash Flows

Cash Inflows	December
PPE/DOE Contribution	\$13,198,695
Employee Contribution	\$10,134,607
Other	\$1,532,540
Total Inflows	\$24,865,842
Cash Outflows	
Medical Claims	\$24,223,277
Medical Administration Fees	\$2,044,799
Employee Assistance Program	\$84,824
Pharmacy Claims	\$5,230,189
Pharmacy Administration	\$199,322
Plan Administration	\$149,666
Total Outflows	\$31,932,378
<b>Cash Balance</b>	<b>(\$7,066,536)</b>
Allocation of Reserves	\$1,054,666
<b>Ending Cash Balance</b>	<b>(\$6,011,069)</b>

# Balance Sheet

Assets		Liabilities	
Bank Account	\$18,214,148	Accounts Payable	\$12,357
State Treasury	\$128,021,390	Health IBNR	\$27,000,000
Accounts Receivable	\$1,590,847	Rx IBNR	\$1,000,000
Due from ASE	\$1,177,552		
<b>Total Assets</b>	<b>\$149,003,937</b>	<b>Total Liabilities</b>	<b>\$28,012,357</b>



Net Assets Available	\$121.0M
Allocated Assets	\$106.3M
FICA/Unallocated Assets	\$14.7M

Allocated \$1M Asset for Dec 2019.  
Remaining deficit from Unallocated Assets



**Arkansas State Employees (ASE)**

# Executive Summary

- Projections updated to incorporate claims data incurred from December 2018 to November 2019 and paid through January 2020
- 2019 plan experience
  - Estimated surplus of \$13.9M
  - Estimated unallocated net assets at the end of 2019 is \$8.8M
- 2020 plan experience
  - Allocated reserves for 2020 is \$25.1M
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  - Estimated unallocated net assets at the end of 2020 is \$2.7M
  - No plan changes / 5% increase in employee contributions
- Observations
  - 2019 and 2020 claims impacted by high medical claims, lower pharmacy claims, and handling of claim payment timing
  - 2020 has lower employee contributions and lower administration fees due to headcount

# Total Plan Experience

<u>Funding</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
State Contribution	\$ 174.70	\$ 173.61	\$ 172.32
Employee Contribution	96.70	97.45	101.44
Other	19.70	23.47	22.46
<b>Total Income</b>	<b>\$ 291.10</b>	<b>\$ 294.53</b>	<b>\$ 296.22</b>
Medical Claims	\$ (201.40)	\$ (194.56)	\$ (218.66)
Pharmacy Claims	(81.90)	(86.58)	(97.31)
Administration Fees <sup>1</sup>	(22.70)	(18.30)	(17.35)
Plan Administration	N/A	(2.90)	(2.89)
<b>Total Expenses</b>	<b>\$ (306.00)</b>	<b>\$ (302.34)</b>	<b>\$ (336.20)</b>
Pharmacy Savings	\$ -	\$ -	\$ 8.75
<b>Net Income / (Loss) Before Reserve Allocation</b>	<b>\$ (14.90)</b>	<b>\$ (7.82)</b>	<b>\$ (31.24)</b>
Allocation of Reserves	\$ 18.00	\$ 21.70	\$ 25.10
<b>Net Income / (Loss) After Reserve Allocation</b>	<b>\$ 3.10</b>	<b>\$ 13.89</b>	<b>\$ (6.14)</b>

## Average Membership

Active Employees / Pre-65 Retirees	48,100	47,720	46,878
Post-65 Retirees	12,914	13,348	13,820
<b>Total Enrolled</b>	<b>61,014</b>	<b>61,068</b>	<b>60,699</b>

<b>Total Income PMPM<sup>2</sup></b>	<b>\$ 422.17</b>	<b>\$ 431.53</b>	<b>\$ 441.14</b>
<b>Total Expenses PMPM<sup>3</sup></b>	<b>\$ (417.94)</b>	<b>\$ (412.58)</b>	<b>\$ (449.57)</b>

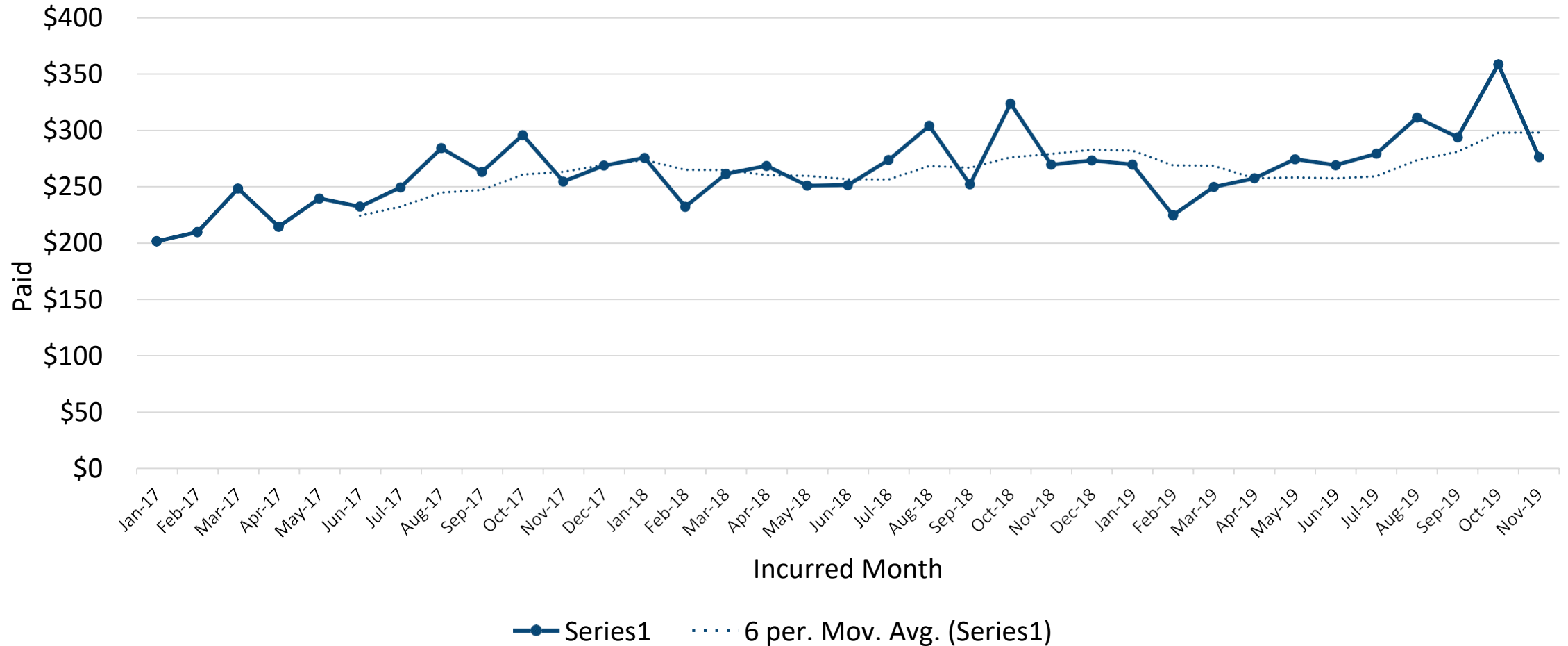
<sup>1</sup> 2018 Administration Fees included Plan Administration

<sup>2</sup> Allocation of Reserves included in Total Income

<sup>3</sup> Total Expenses offset by Pharmacy Savings

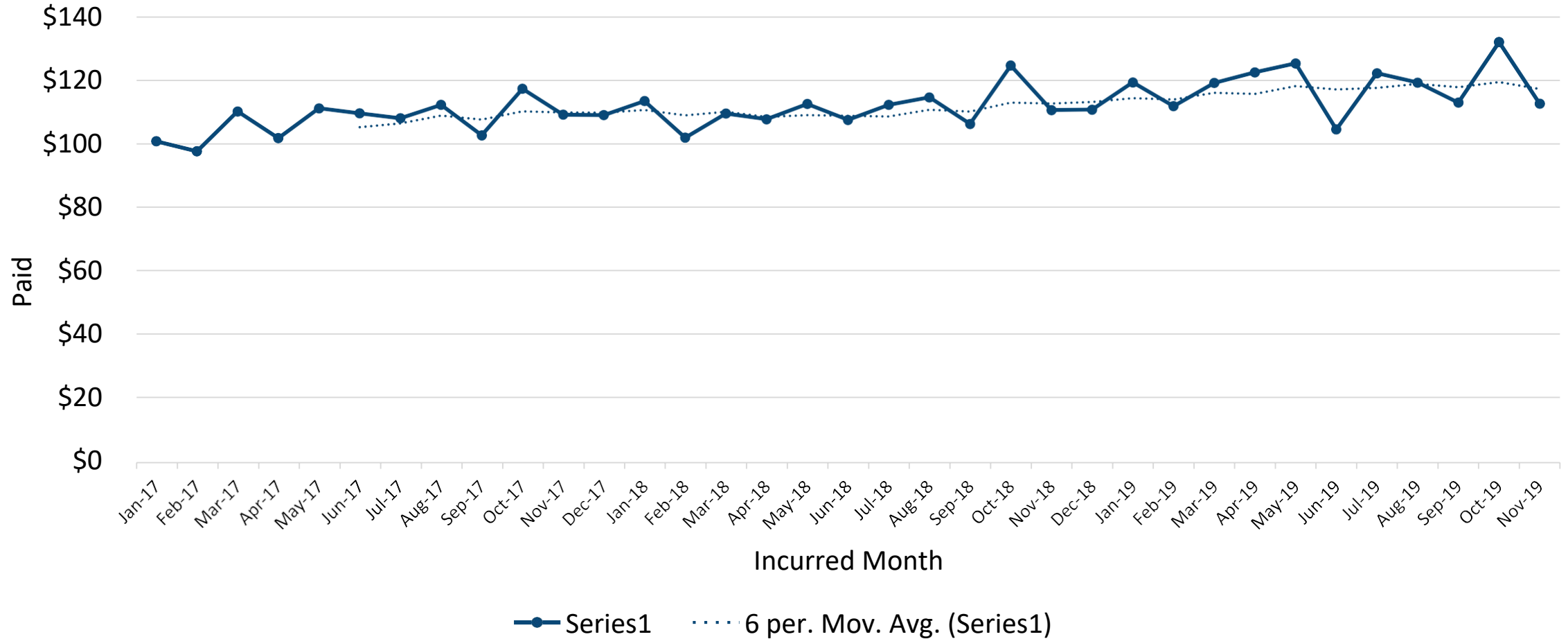
# Monthly Trend - Medical

## ASE - Medical Per Member Per Month (PMPM)

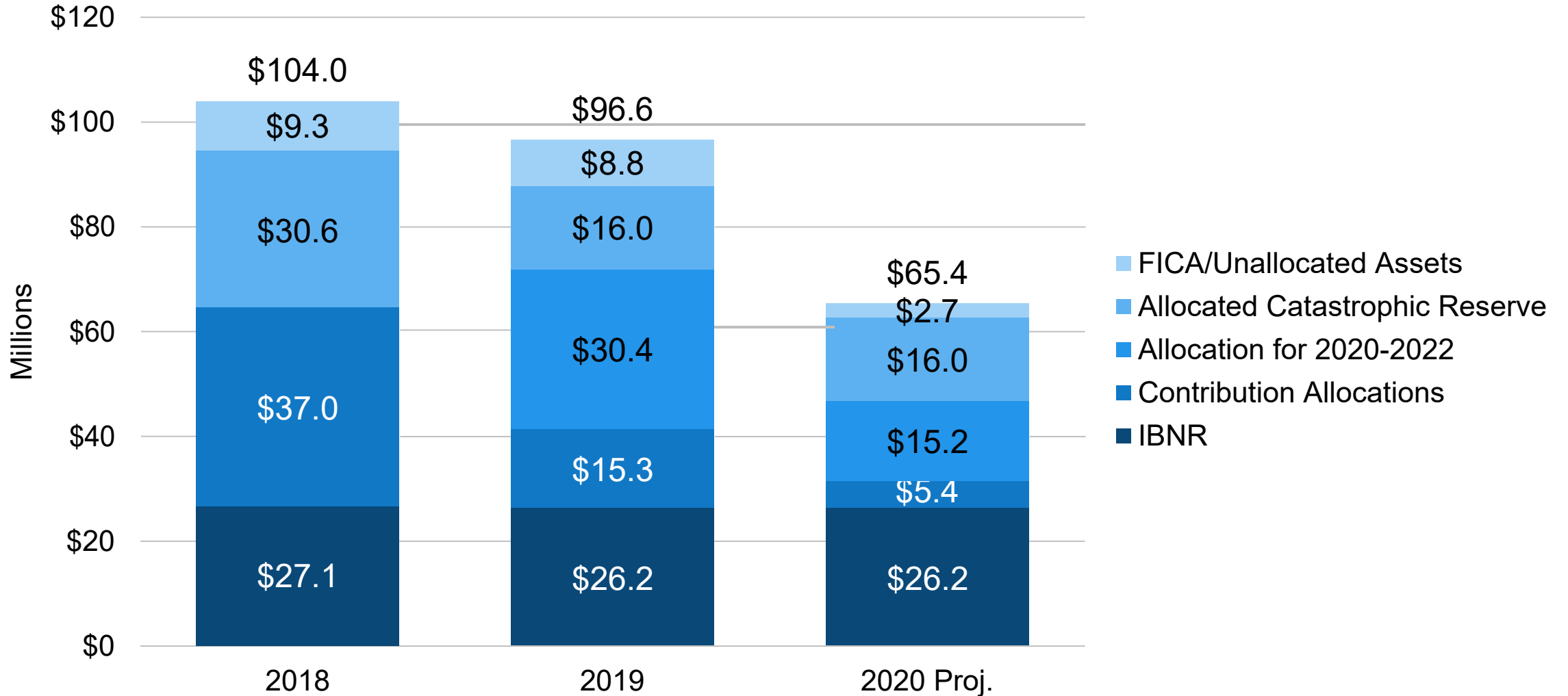


# Monthly Trend - Pharmacy

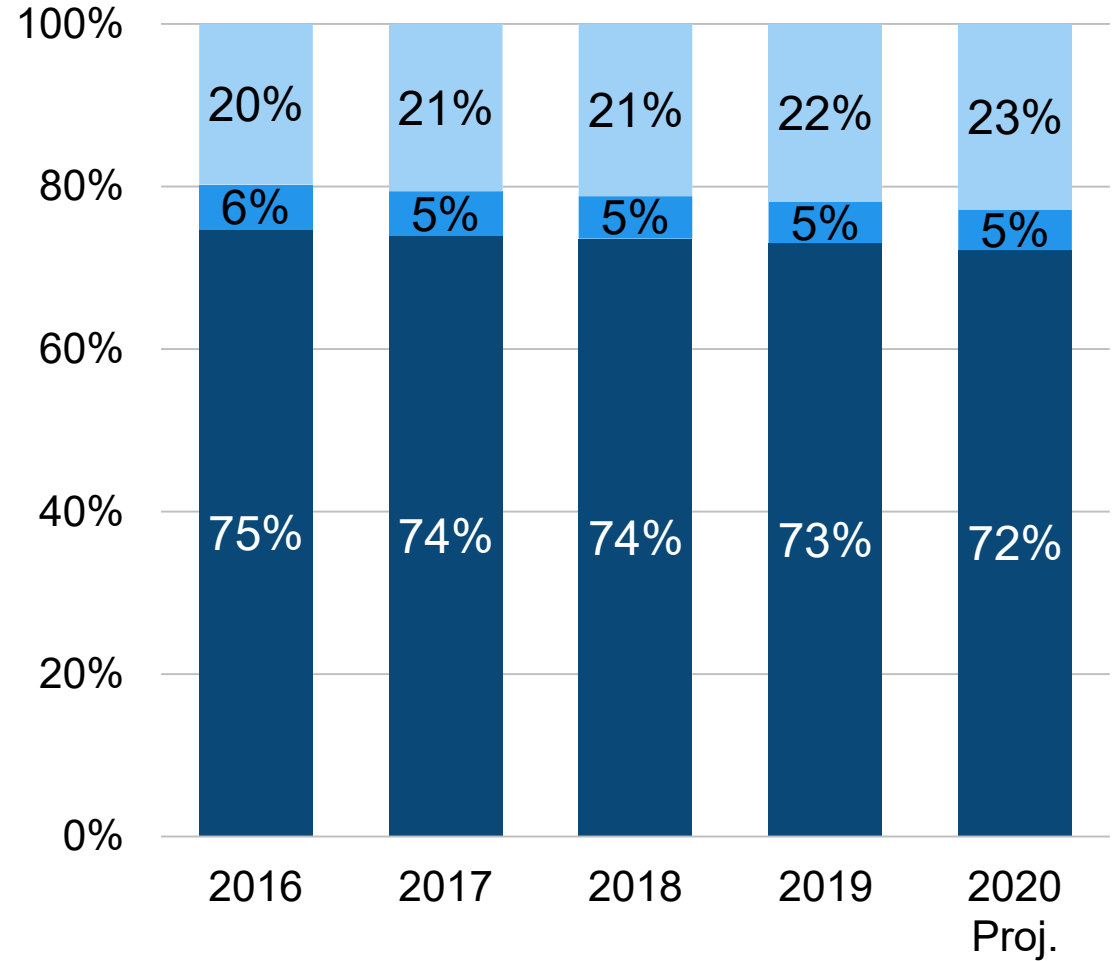
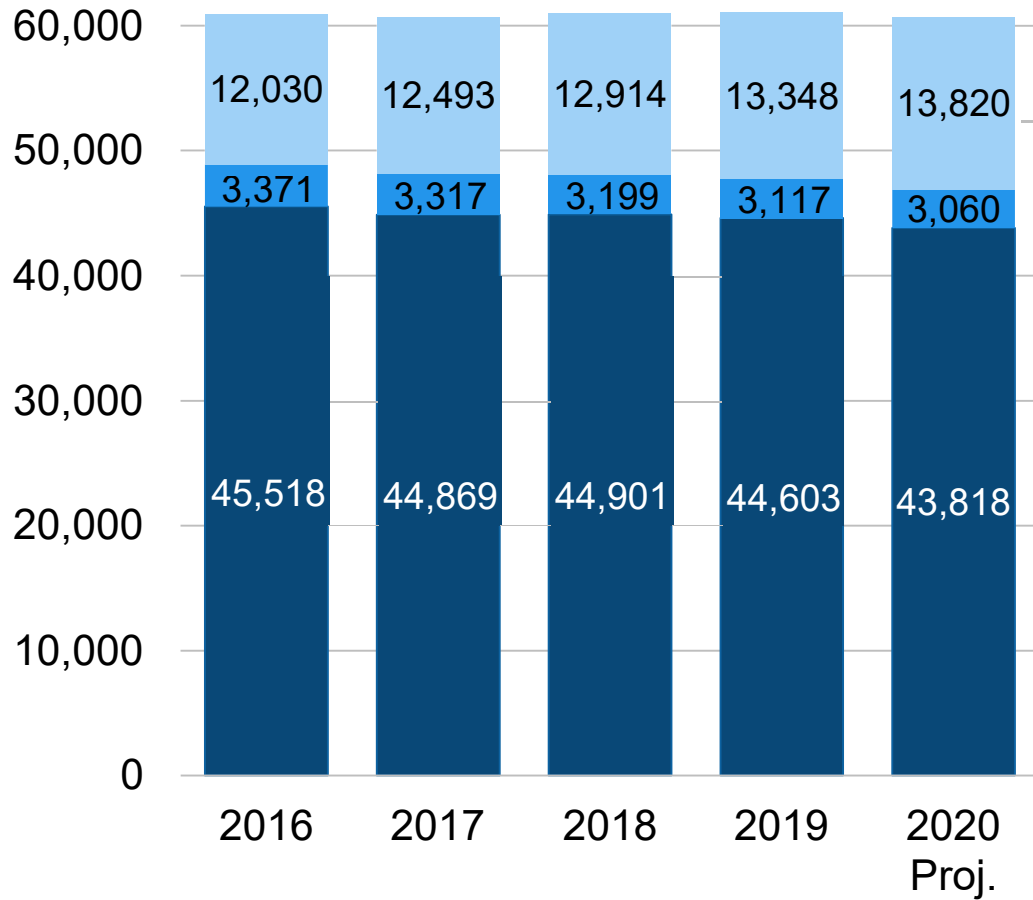
## ASE - Pharmacy Per Member Per Month (PMPM)



# End of Year Assets



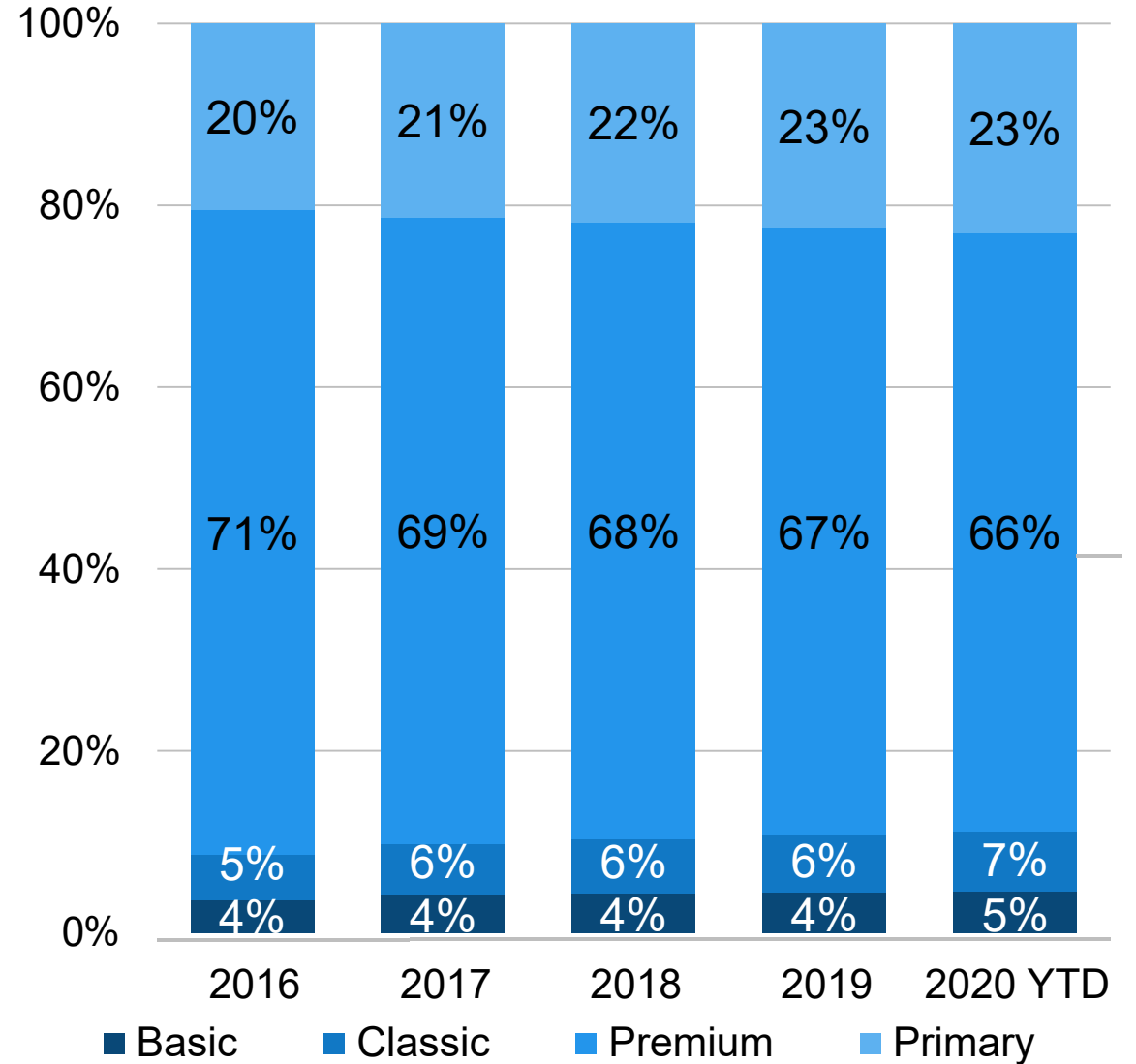
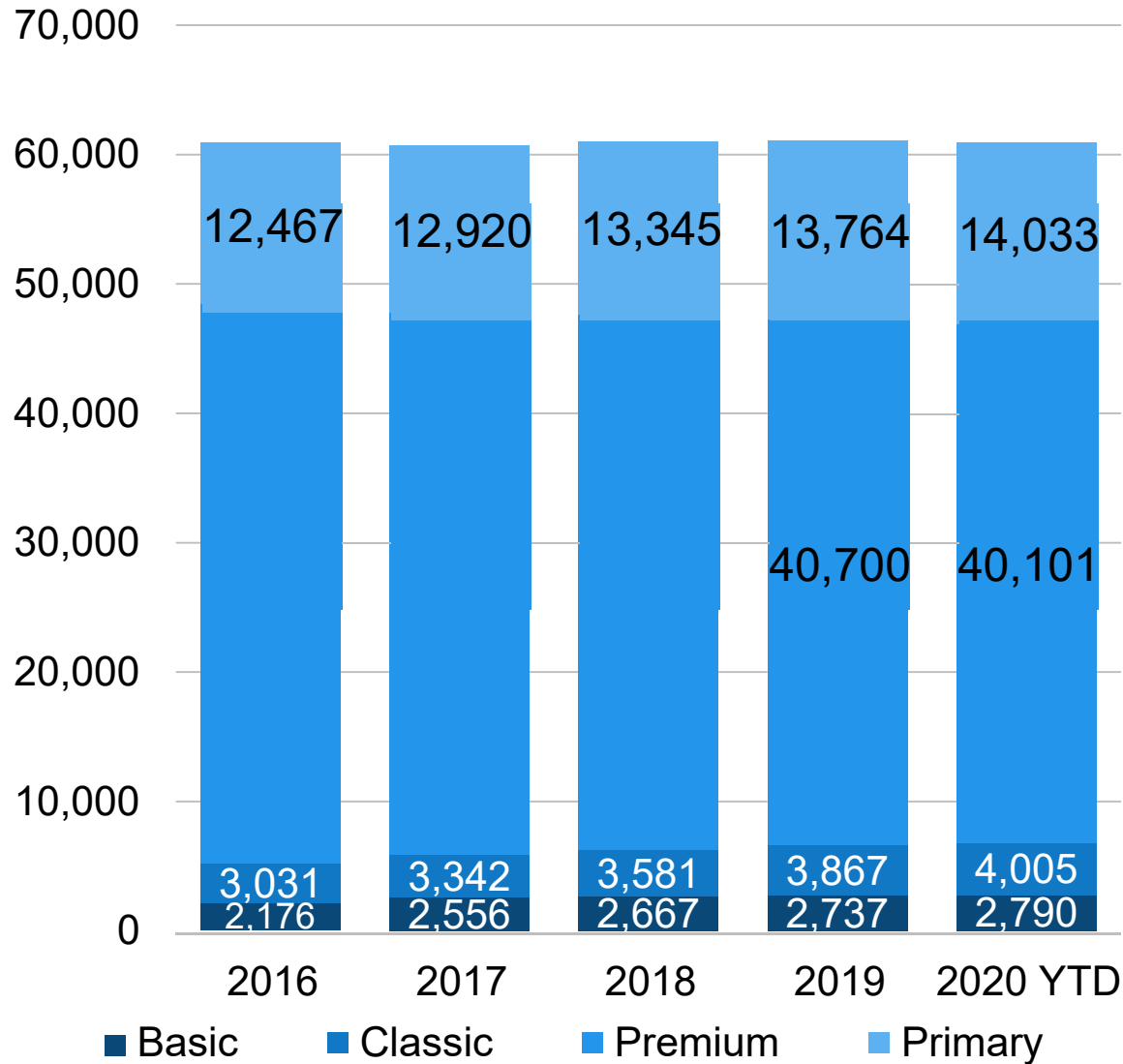
# ASE - Average Membership by Status



■ Active ■ Pre-65 Retirees ■ Post-65 Retirees

■ Active ■ Pre-65 Retirees ■ Post-65 Retirees

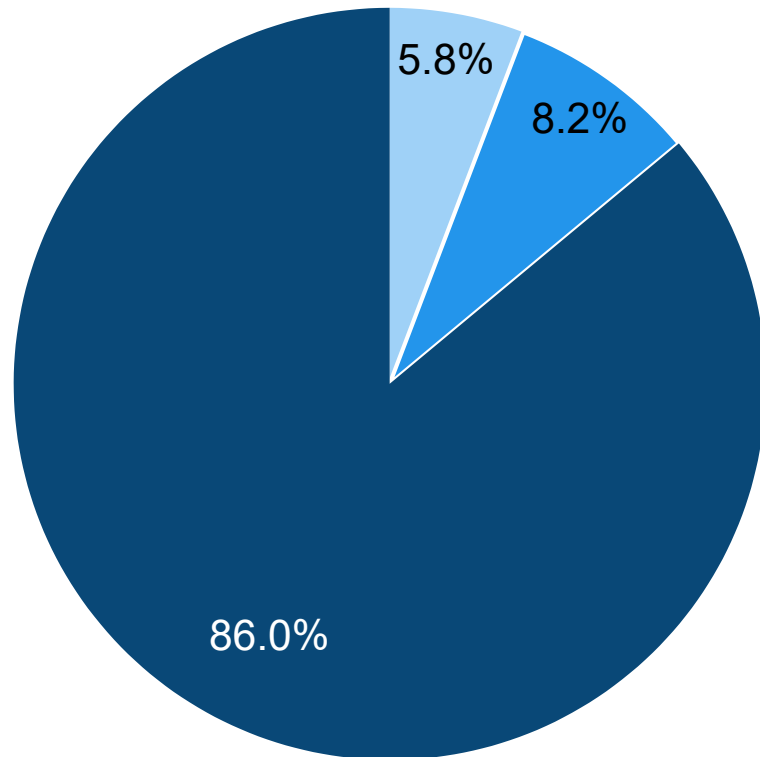
# ASE - Average Membership by Plan





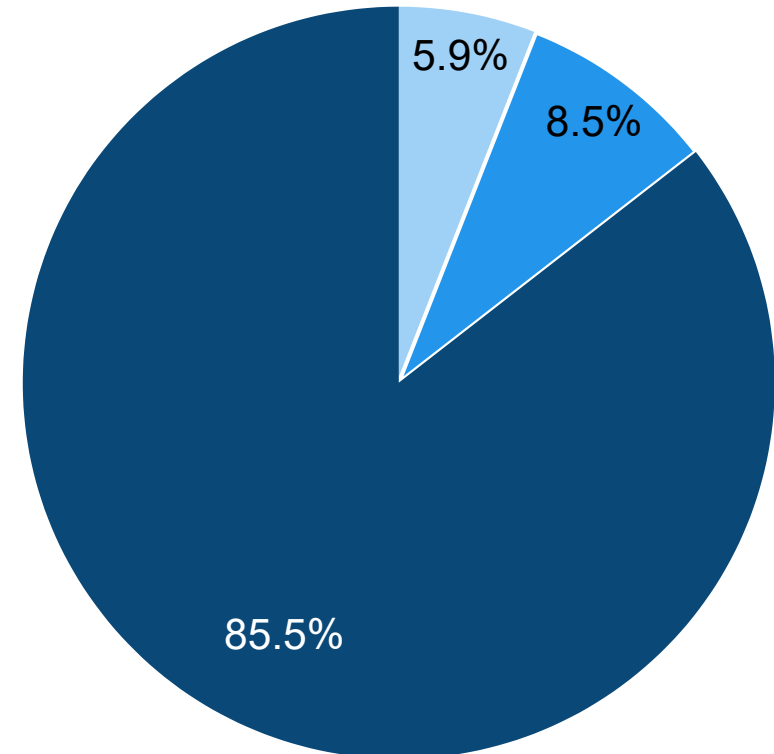
# ASE - Average Membership\* by Plan

2019 Actual



Basic Classic Premium

2020 Projected



Basic Classic Premium

**Public School Employees (PSE)**

# Executive Summary

- Projections updated to incorporate claims data incurred from December 2018 to November 2019 and paid through January 2020
- 2019 plan experience
  - Estimated surplus of \$240K
  - Estimated unallocated net assets at the end of 2019 is \$14.7M
- 2020 plan experience
  - Allocated reserves for 2020 is \$25.2M
  - Estimated deficit of \$13.6M
  - Estimated unallocated net assets at the end of 2020 is \$1.0M
  - No plan changes / 0% increase to employee contributions
- Observations
  - 2019 claims impacted by lower medical claims
  - 2020 impacted by higher emerging medical claims, lower pharmacy claims, and handling of claim payments timing
  - 2020 has lower PPE and employee contributions and lower administration fees due to headcount

# Total Plan Experience

<u>Funding</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
PPE Funding	N/A	\$ 102.39	\$ 105.87
Employee Contribution <sup>1</sup>	217.40	121.12	124.36
Dept of Ed Funding	88.10	88.10	88.10
Other	13.80	15.02	15.79
<b>Total Income</b>	<b>\$ 319.30</b>	<b>\$ 326.64</b>	<b>\$ 334.13</b>
Medical Claims	\$ (235.20)	\$ (247.11)	\$ (278.95)
Pharmacy Claims	(56.80)	(60.87)	(69.59)
Administration Fees <sup>2</sup>	(30.90)	(28.46)	(27.98)
Plan Administration	N/A	(2.61)	(2.70)
<b>Total Expenses</b>	<b>\$ (322.90)</b>	<b>\$ (339.06)</b>	<b>\$ (379.22)</b>
Pharmacy Savings	\$ -	\$ -	\$ 6.25
<b>Net Income / (Loss) Before Reserve Allocation</b>	<b>\$ (3.60)</b>	<b>\$ (12.42)</b>	<b>\$ (38.84)</b>
Allocation of Reserves	\$ 4.50	\$ 12.66	\$ 25.22
<b>Net Income / (Loss) After Reserve Allocation</b>	<b>\$ 0.90</b>	<b>\$ 0.24</b>	<b>\$ (13.61)</b>

## Average Membership

Active Employees / Pre-65 Retirees	79,963	82,317	84,280
Post-65 Retirees	13,536	14,280	15,108
<b>Total Enrolled</b>	<b>93,499</b>	<b>96,597</b>	<b>99,388</b>

<b>Total Income PMPM<sup>3</sup></b>	<b>\$ 288.59</b>	<b>\$ 292.70</b>	<b>\$ 301.31</b>
<b>Total Expenses PMPM<sup>4</sup></b>	<b>\$ (287.79)</b>	<b>\$ (292.50)</b>	<b>\$ (312.72)</b>

<sup>1</sup> 2018 Employee Contribution included PPE Funding and Allocation from Department of Education

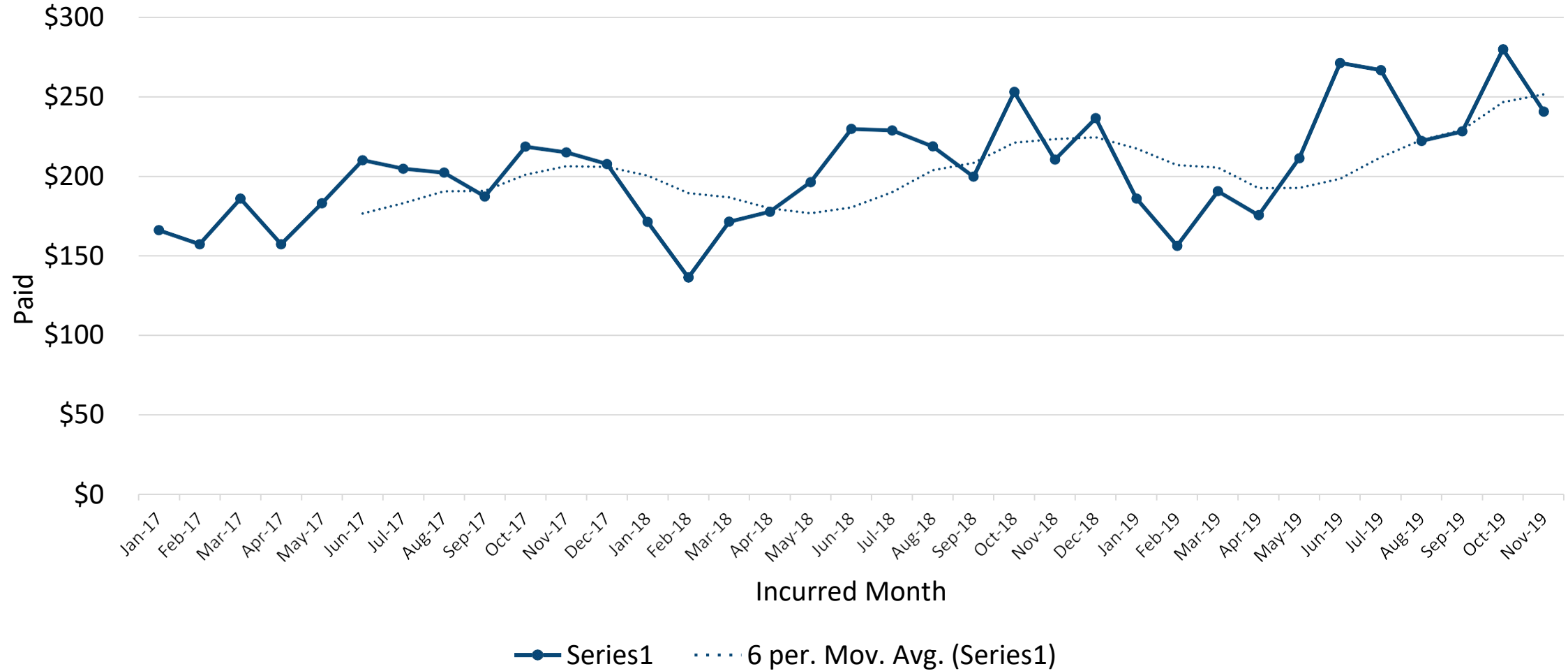
<sup>2</sup> 2018 Administration Fees included Plan Administration

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<sup>4</sup> Total Expenses offset by Pharmacy Savings

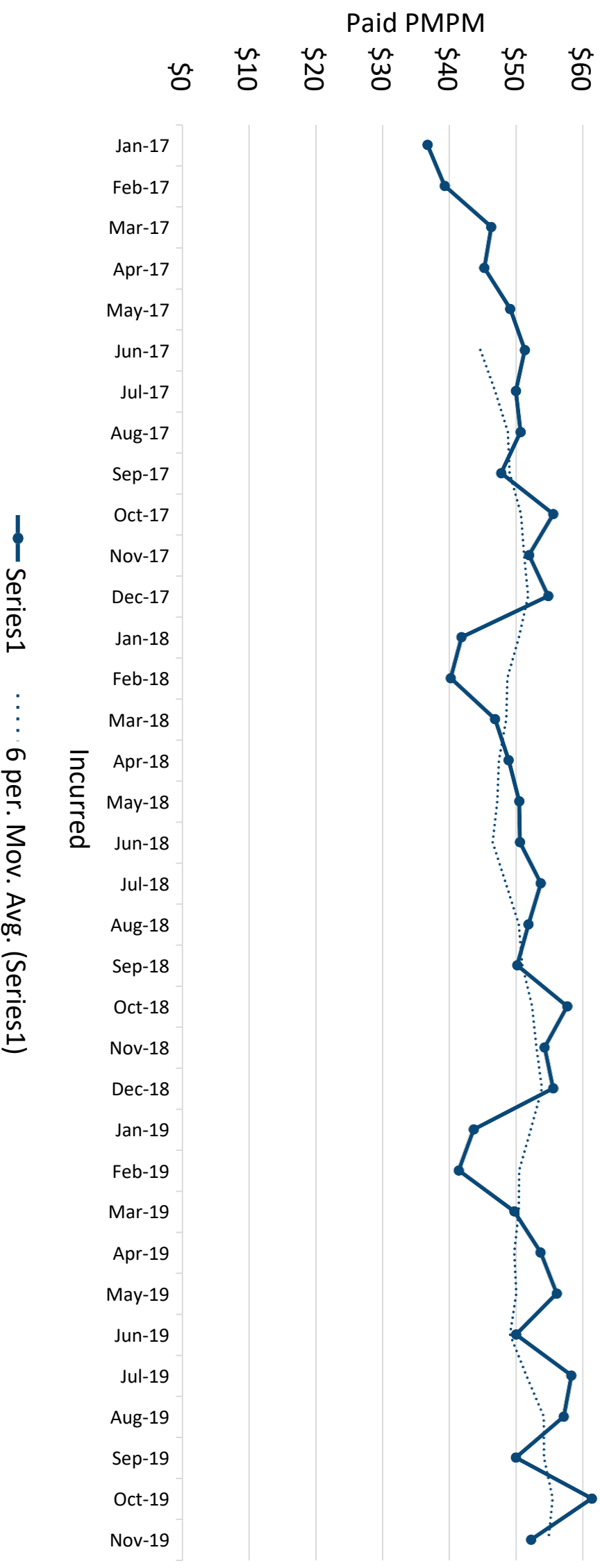
# Monthly Trend - Medical

PSE - Medical Per Member Per Month (PMPM)

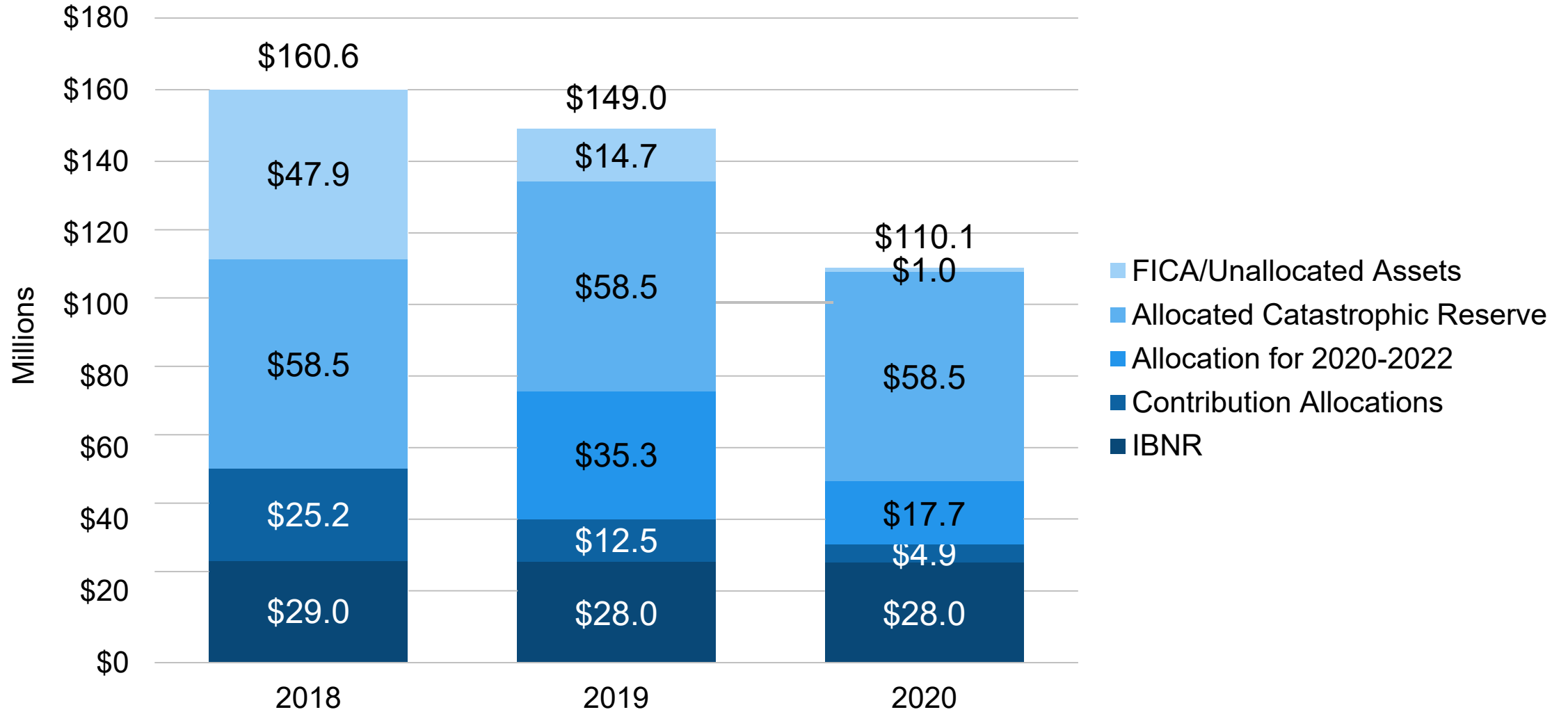


# Monthly Trend - Pharmacy

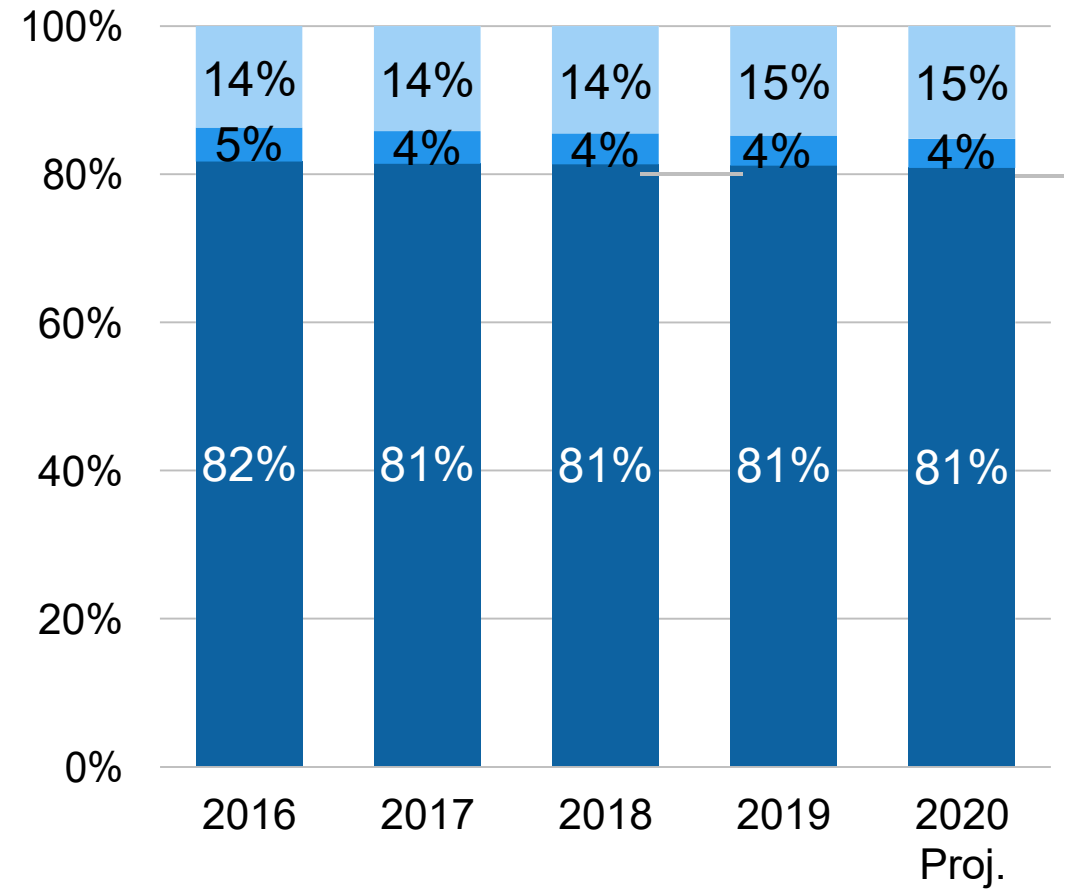
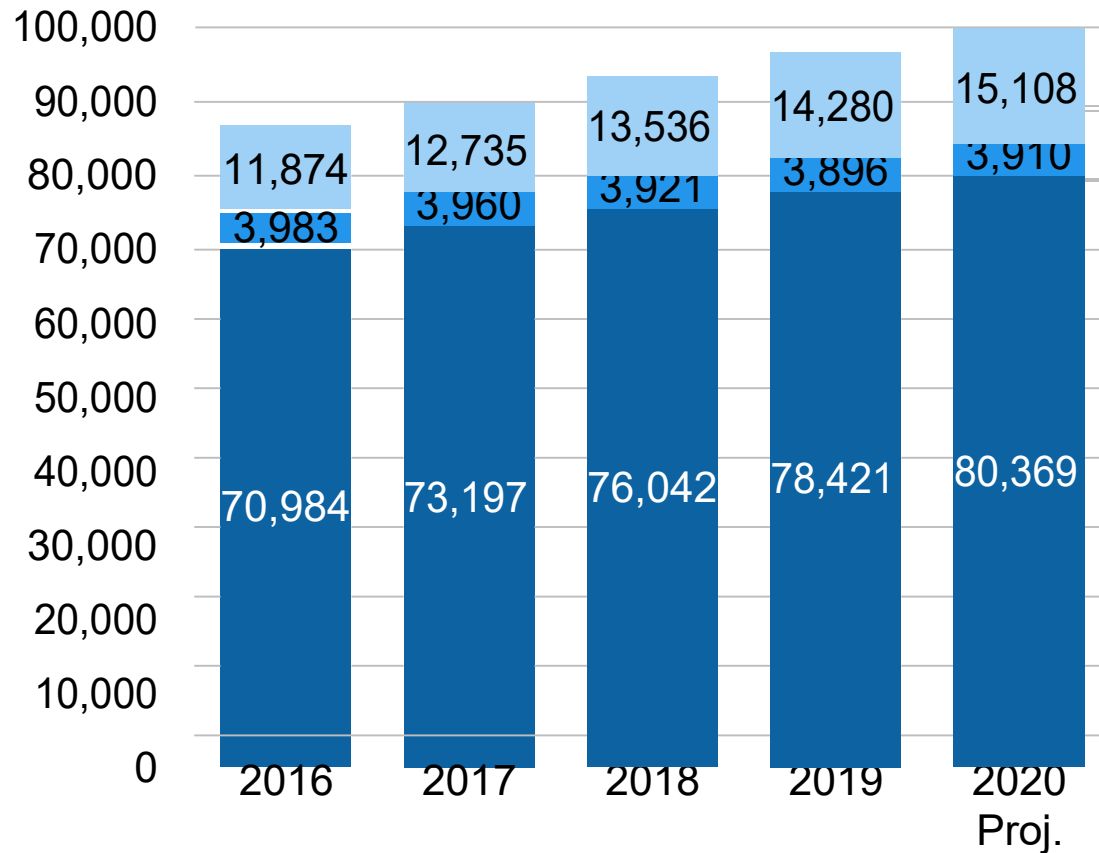
PSE - Pharmacy Per Member Per Month  
(PMPM)



# End of Year Assets



# PSE - Average Membership by Status

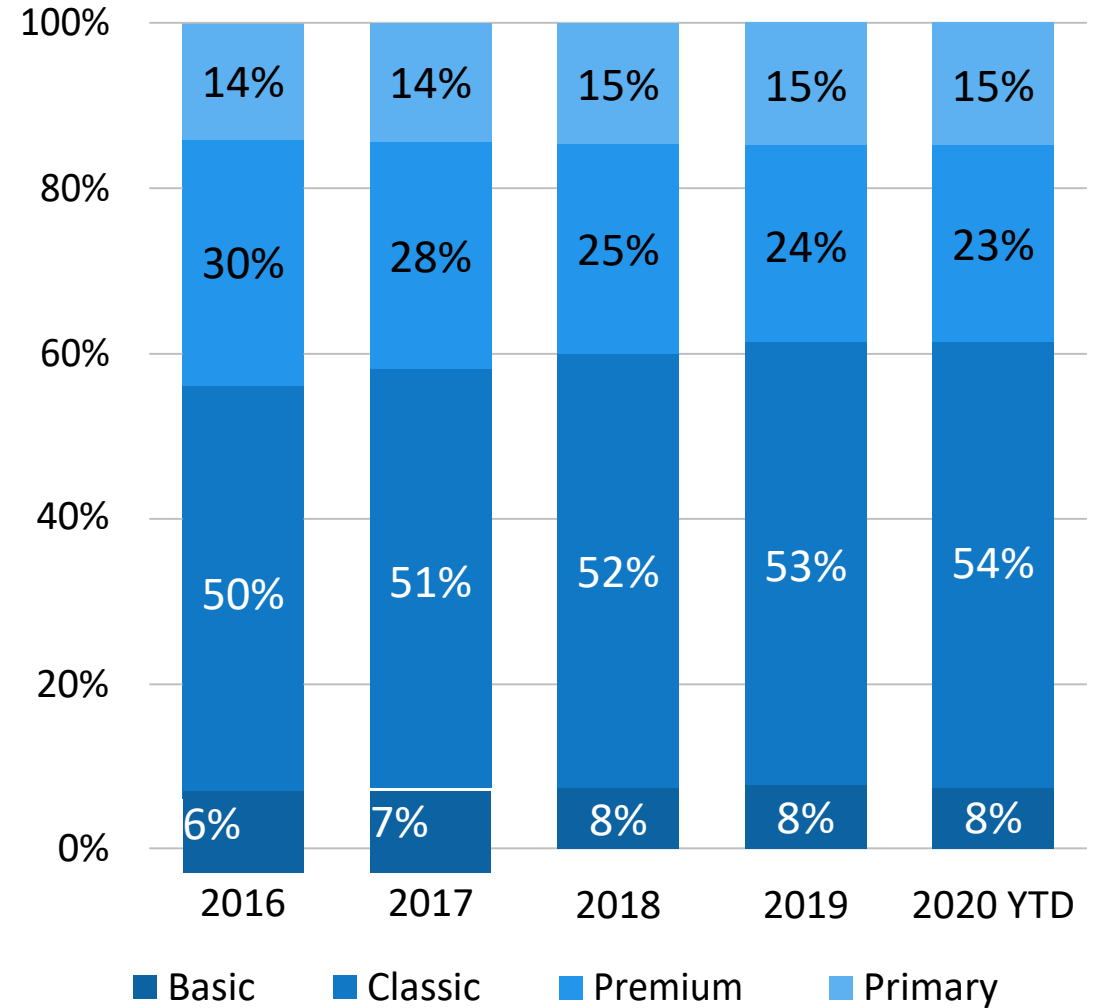
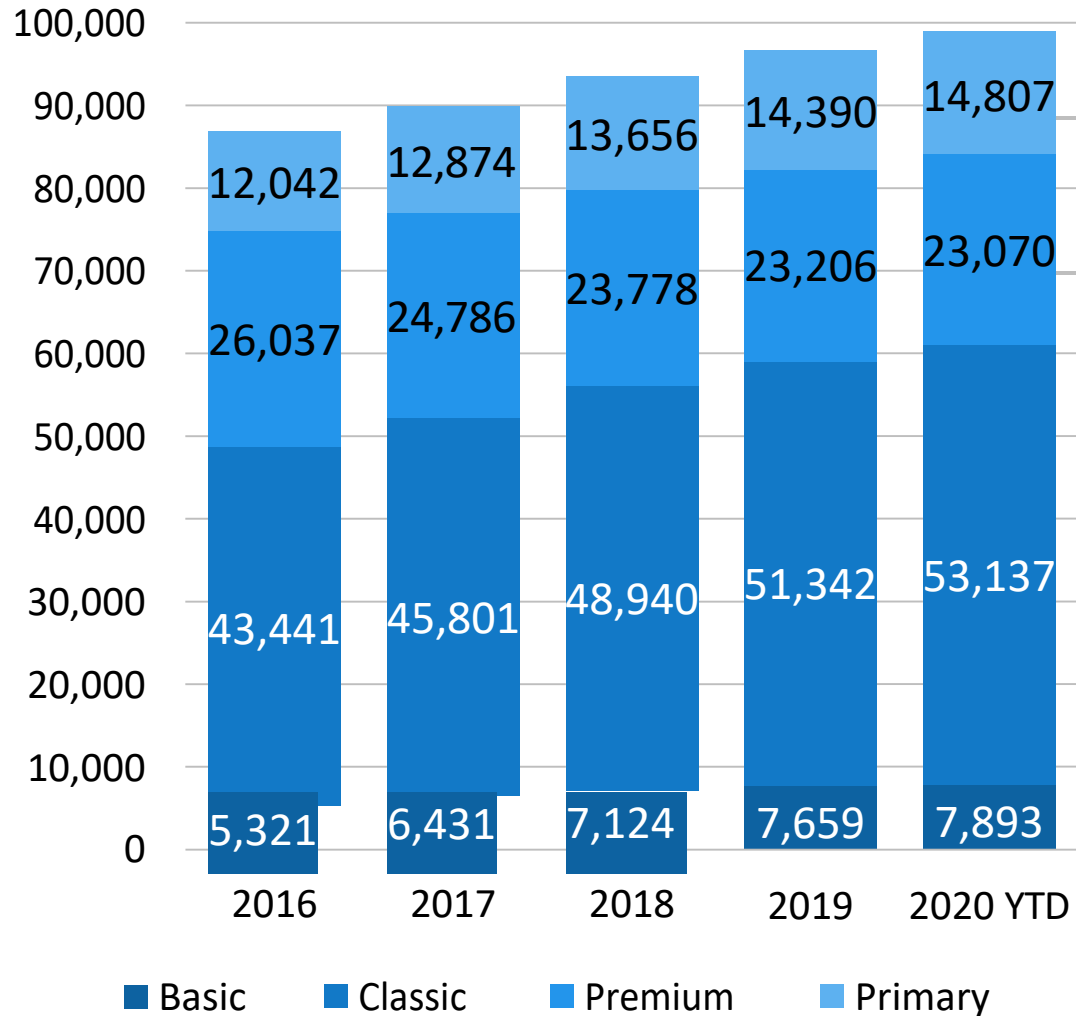


■ Active ■ Pre-65 Retirees ■ Post-65 Retirees

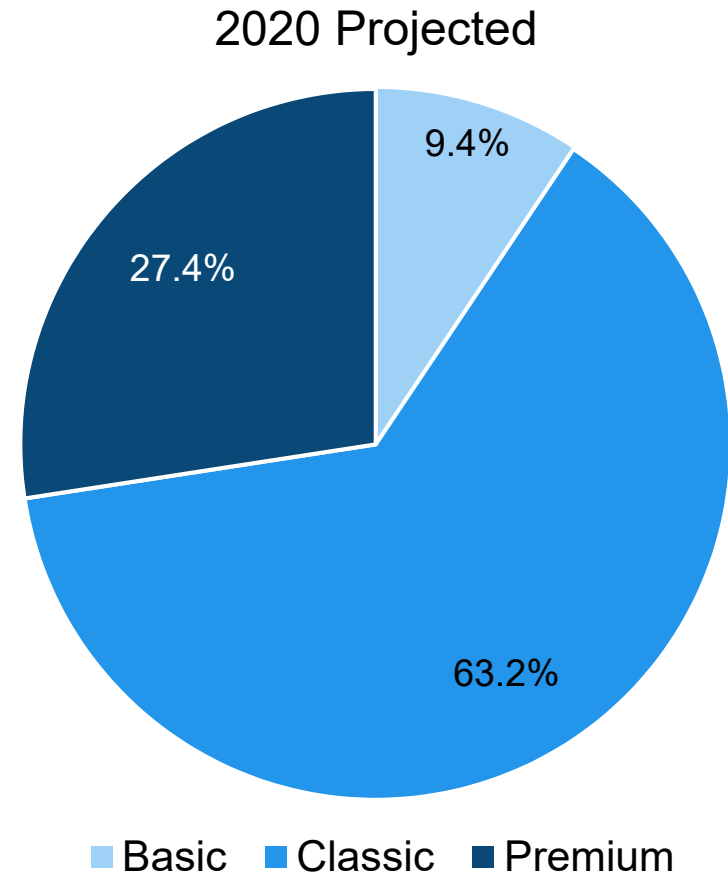
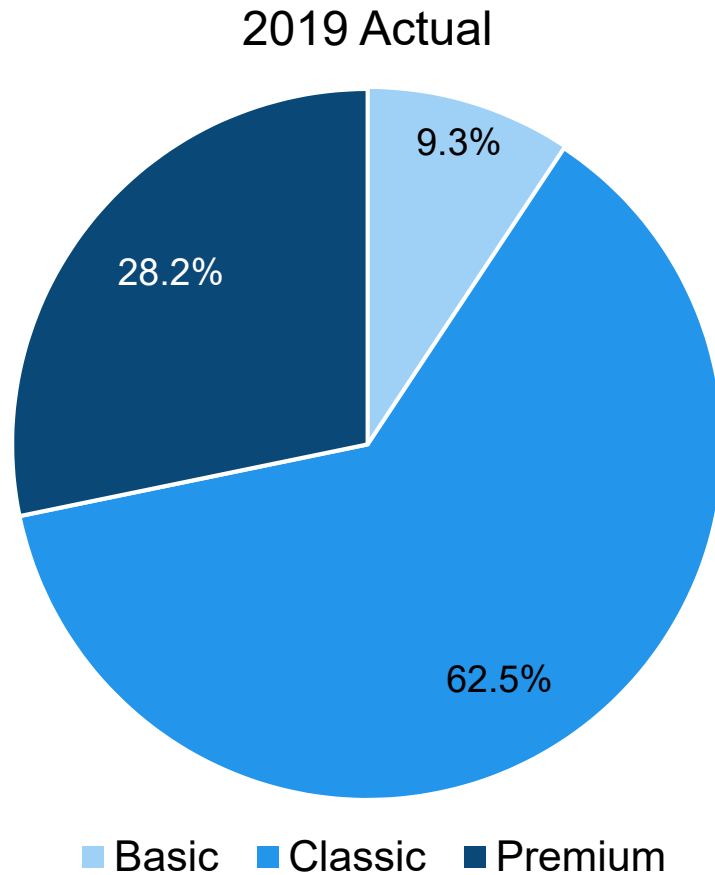
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# PSE - Average Membership by Plan

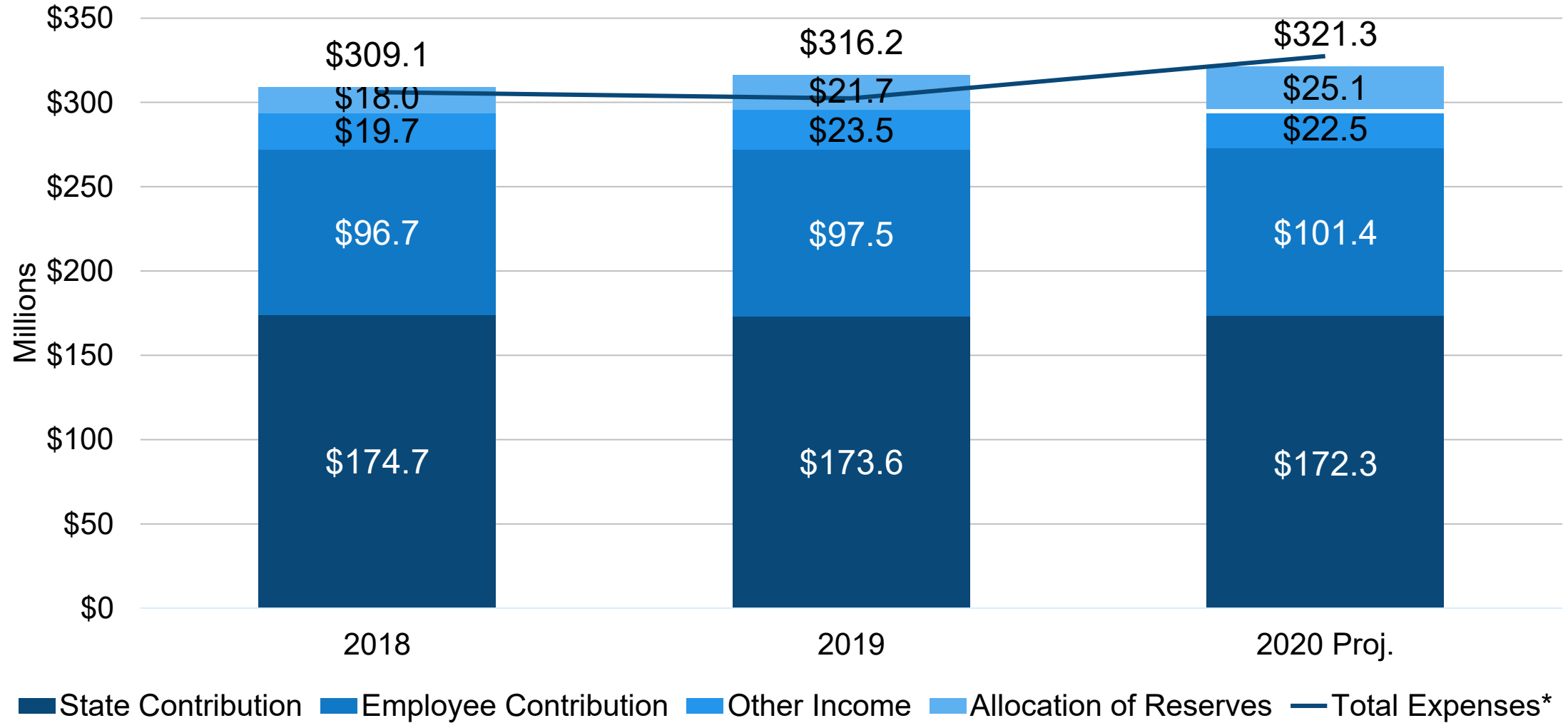


# PSE - Average Membership\* by Plan



# Appendix

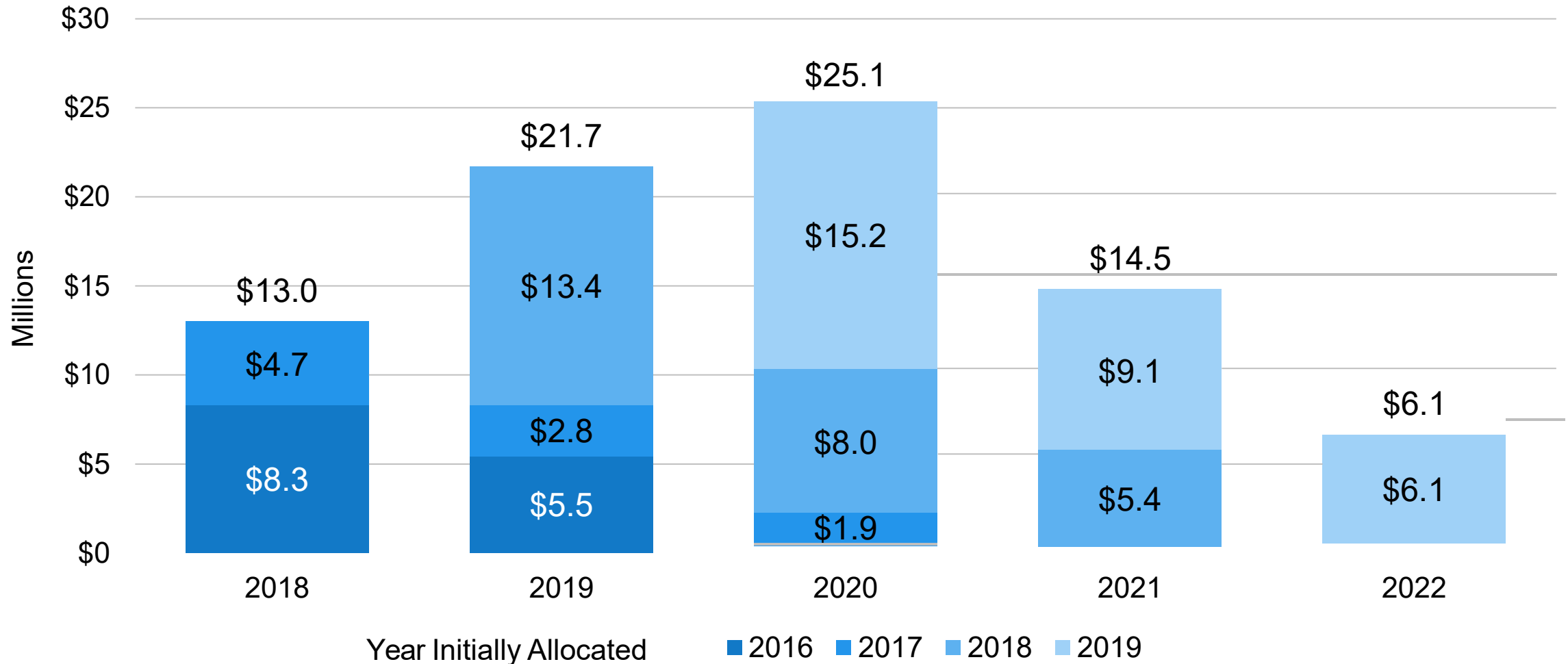
# ASE - Income vs. Expenditure



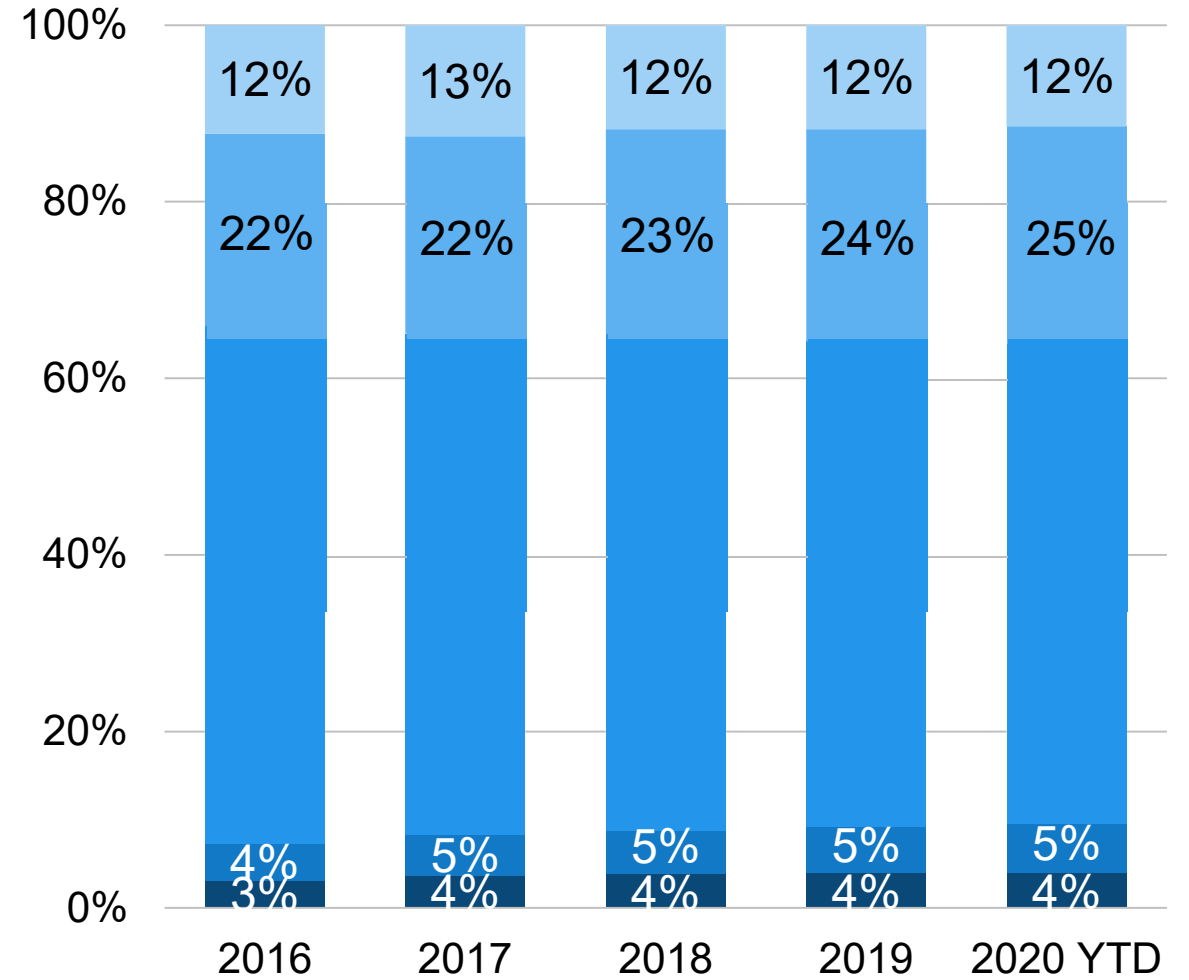
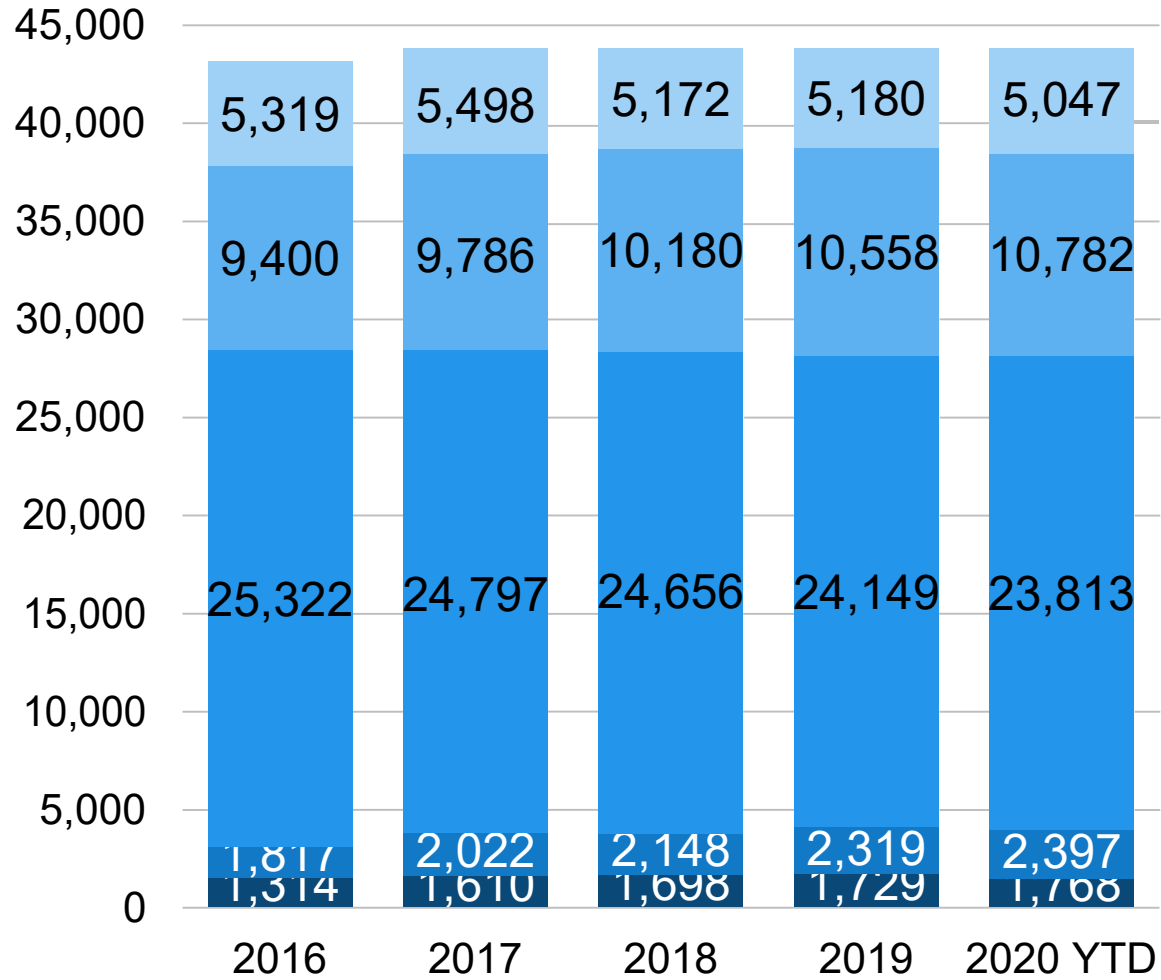
\* Total Expenses offset by Pharmacy Savings

# ASE - Reserves Allocation by Year

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



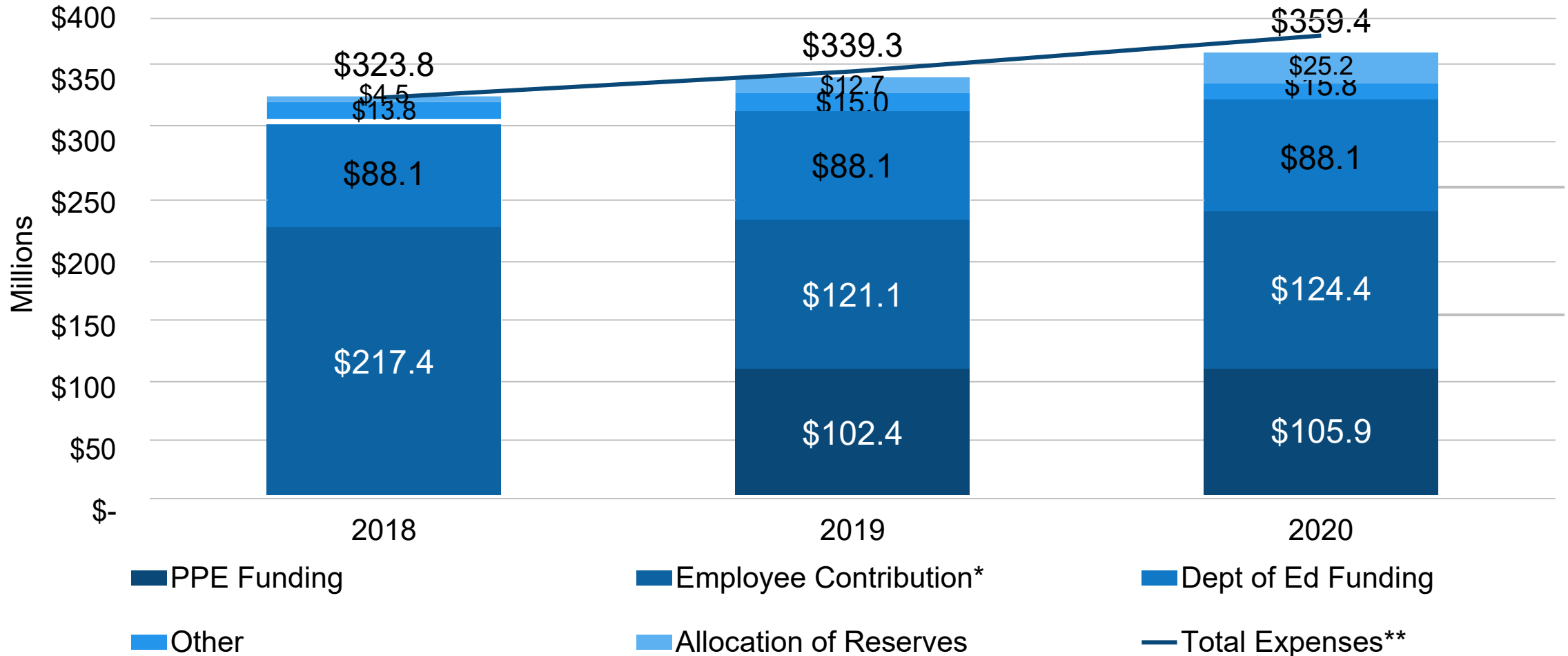
# ASE - Average Enrollment (Subscribers) by Plan



Basic Classic Premium Primary Waived

Basic Classic Premium Primary Waived

# PSE - Income vs. Expenditure

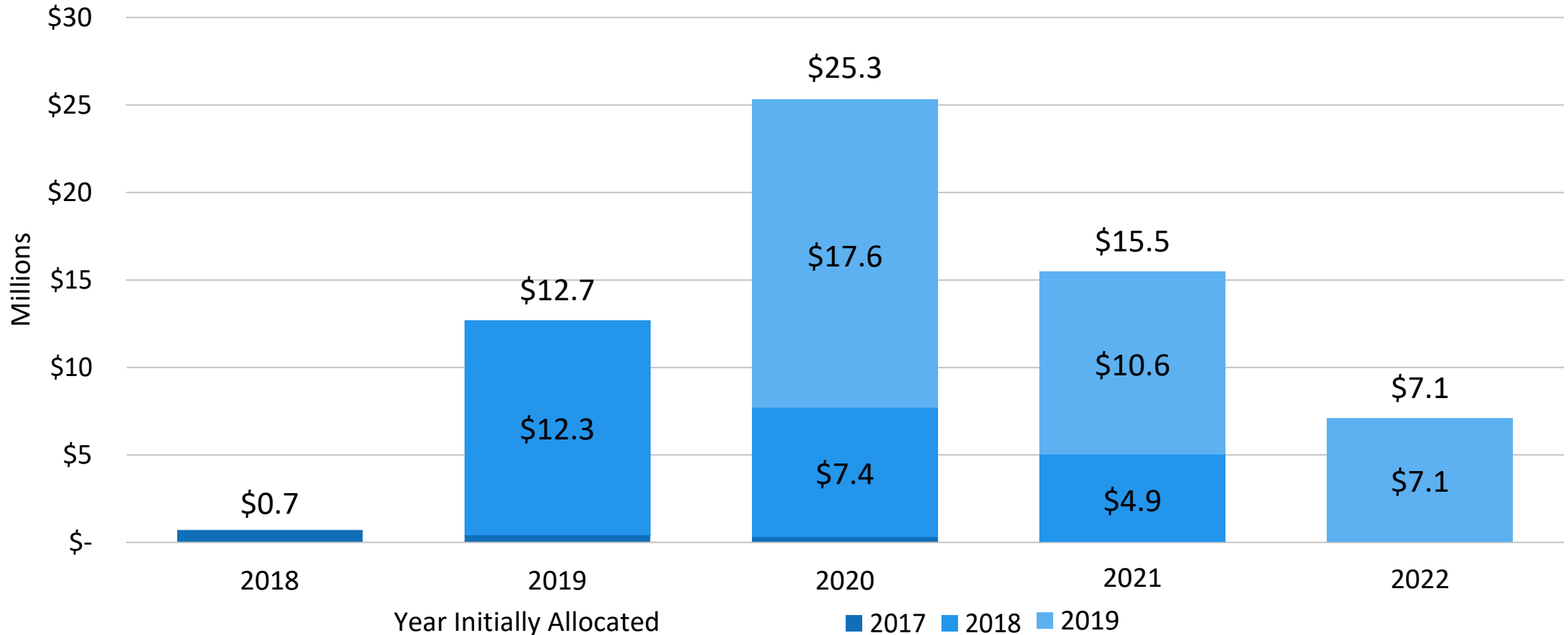


\* 2018 Employee Contribution includes PPE Funding

\*\* Total Expenses offset by Pharmacy Savings

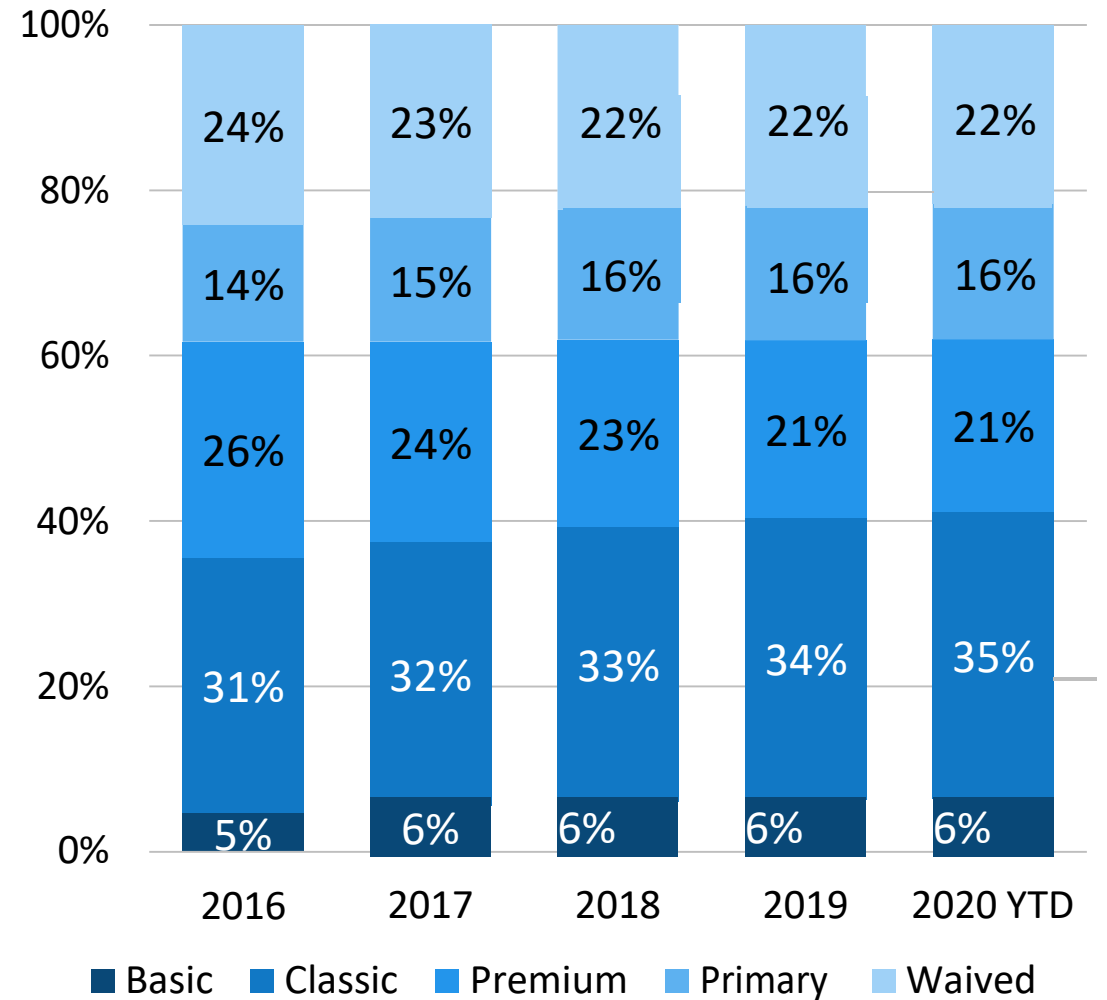
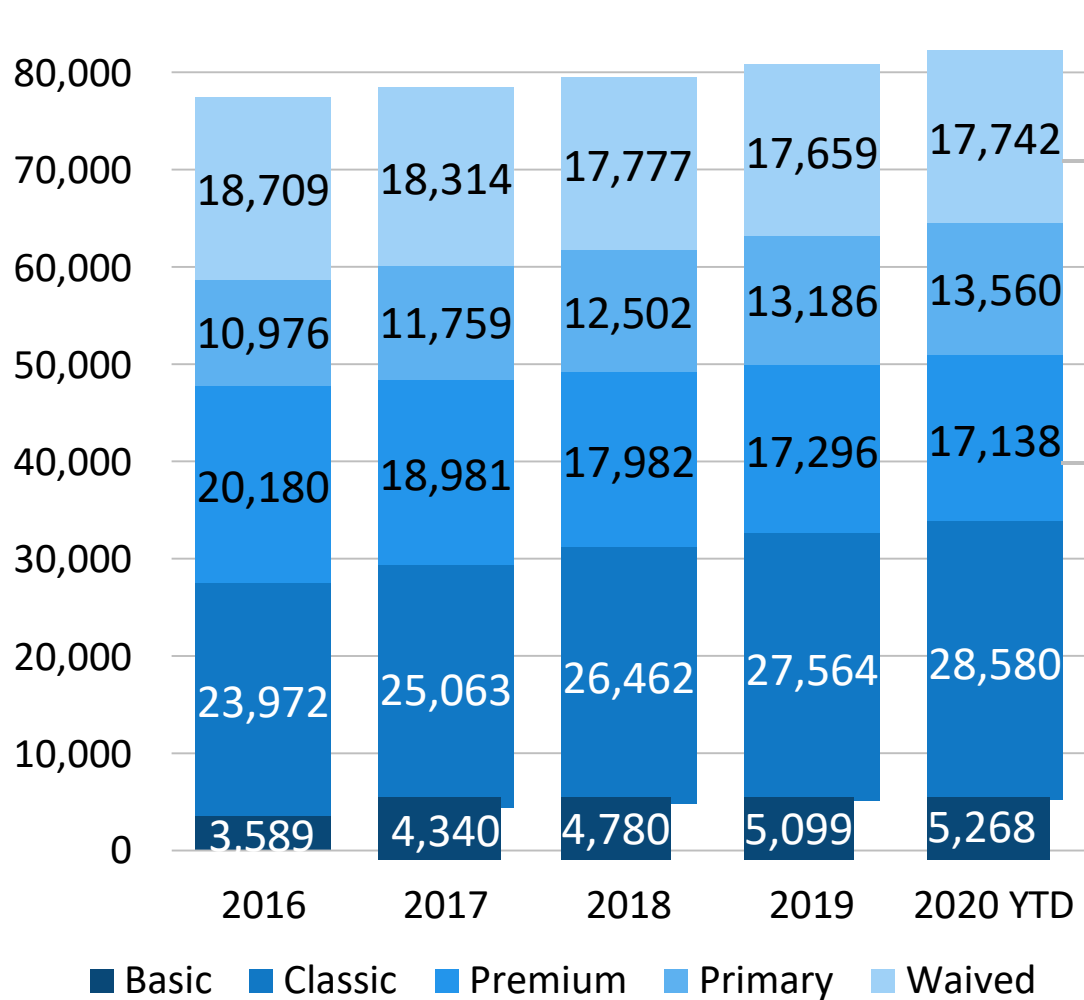
# PSE - Reserves Allocation by Year

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





# PSE - Average Enrollment (Subscribers) by Plan



# Assumptions & Methodology

## Assumptions - Trend

Division	Group	Medical Trend	Pharmacy Trend
ASE	Active/Pre-65 Retirees	5.0%	8.0%
	Post-65 Retirees	5.0%	8.0%
PSE	Active/Pre-65 Retirees	6.0%	8.0%
	Post-65 Retirees	5.0%	8.0%

# Assumptions & Methodology

## Assumptions – Benefit Plan Changes (2018 to 2020)

- ASE
  - No significant plan cost changes for Active, Pre-65, and Post-65 benefit plans
- PSE
  - No changes for Post-65 benefit plan
  - Active and Pre-65 (2019 changes)
    - Premium
      - Deductible decrease from \$1,000 to \$750 (individual)
      - Out-of-Pocket Maximum (OOPM) decrease from \$3,500 to \$3,250 (individual)
      - Pharmacy OOPM increase from \$3,100 to \$3,350 (individual)
    - Classic
      - Deductible decrease from \$2,000 to \$1,750 (individual)
      - Medical coinsurance limit increase from \$4,450 to \$4,700 (individual)
    - Basic
      - Deductible decrease from \$4,250 to \$4,000 (individual)
      - Medical coinsurance limit increase from \$2,200 to \$2,450 (individual)

# Assumptions & Methodology

## Assumptions – Other

- Age/Gender
  - Age/Gender factor based on Milliman Health Cost Guidelines™
- Enrollment Projections
  - Actual enrollment utilized for January 2019 through January 2020
  - Projected February – December 2020 based on historical patterns from 2019
- Pharmacy Savings
  - Projected savings of \$1.25 million per month for 2020, allocated between ASE / PSE based on pharmacy claims expense.
  - Actual 2019 pharmacy claims reflect savings beginning in June 2019
- QualChoice Run-out Administration Fees
  - Actual run-out fees through July 2019
- Plan Administration Expense
  - ASE - \$3.96 PMPM for CY2019 (\$3.96 PMPM for CY2020)
  - PSE - \$2.26 PMPM for CY2019 (\$2.26 PMPM for CY2020)

# Assumptions & Methodology

## Methodology

1. Summarized fee-for-service (FFS) medical and pharmacy claims incurred from December 1, 2018 to November 30, 2019 and paid from December 1, 2018 to January 31, 2020. Medical claims include withholds starting January 2019. Reports reflect the timing of when EBD is expected to pay the withhold. Withhold true-up estimates provided ABCBS. Milliman to provide independent estimate.
2. Converted the paid and incurred claims to incurred claims using completion factors. This incorporates the incurred but not reported (IBNR) claim reserve.
3. Summarized member months for December 1, 2018 to November 30, 2019.
4. Divided the summarized incurred claims by the appropriate member months to calculate PMPMs.
5. 2019 Projection composed of actual claims experience from January 2019 – November 2019 along with projected claims experience from December 2019.
6. 2020 Projected the incurred claims PMPM from the midpoint of the experience period (June 1, 2019) to the midpoint of the contract period (July 1, 2020).
7. Made adjustments for seasonality, benefit changes, and age/gender mix.
8. Accounted for rating period fees and administrative expenses.
9. Where applicable, converted incurred budget to paid budget based on historical payment patterns.

# Limitations

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

The assumptions used in the development of the 2019 and 2020 budget are based on historical ASE and PSE claims, funding, and plan administration, historical ASE and PSE members by benefit plan, age/gender, and by month, 2018 and 2019 ASE and PSE benefit plan summaries, 2020 fees and administrative expenses, conversations with EBD regarding the program, and actuarial judgment.

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

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

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

This presentation has been prepared for the sole use of the management of the State of Arkansas Employee Benefits Division for setting the ASE and PSE budget for CY2019 and CY2020. It may not be appropriate for other purposes. Milliman does not intend to benefit any third party from this analysis.



# Thank you

Courtney White, FSA, MAAA  
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