

**STATE OF MISSISSIPPI'S
STATE & SCHOOL EMPLOYEES'
LIFE & HEALTH INSURANCE PLAN**

FY22 ACTUARIAL REPORT

HIGHLIGHTS

**Wm. Lynn Townsend, FSA, MAAA
103 Hatheway Lane
Madison, Mississippi 39110
September 27, 2022**

FY22 FINANCIAL SUMMARY

in Millions

Health Premiums	\$ 795.3	
Health Claims Incurred	(809.6)	
Administrative & Cost Containment Expenses	(29.3)	
Subtotal Health Insurance		\$ (43.6)
Life Insurance Premium Contributions to the Plan	\$ 18.8	
Life Insurance Premiums to Minnesota Life	(18.5)	
Subtotal Life Insurance		0.3
Interest and Other Revenue		0.7
Total Gain (Loss)		<u>\$ (42.6)</u>
Plan Surplus, 6/30/21 (1), (2) , (3)		\$ 118.9
Plan Surplus, 6/30/22 (1), (3)		<u>\$ 76.3</u>

(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 \$645 million as of 6/30/21.

Life Insurance

- Life insurance provided by the Plan is with Minnesota Life Insurance Company. Under the Minnesota Life policy, the amount of premiums payable by the Plan to Minnesota Life for each calendar year is limited to the amount of claims actually incurred and paid, plus contractual administration charges, up to a stated maximum annual premium, with annual calendar year deficits carried forward to the next year, but not back to the prior year.
- Life insurance claims were about \$19.2 million in CY20, \$21.6 million in CY21, and \$9.5 million in the first half of CY22. Compared to the \$14.0 million annual average for CY17 thru CY19, life insurance claims were up 37% in CY20, 55% in CY21, and 35% in the 1st 6 months of CY22. Much of this excess mortality is believed to be due to COVID-19.
- Prior to CY20 and CY21, the maximum premium provision did not have a significant impact on the Plan's annual funding, and in recent calendar years prior to CY20, the Plan's annual costs were significantly less than the maximum annual premium. However, the dramatic increase in mortality associated with COVID-19 resulted in the premiums paid to Minnesota Life in CY20 and CY21 – and so far in the 1st six months of CY22 - to be limited to the maximum premium, with excess losses being absorbed by Minnesota Life, but with those losses being subject to recoupment from the Plan should future annual surpluses arise due to improved future experience.
- Prior to its recent renewal, the current terms of the Minnesota Life policy were set to expire on 12/31/2022. At its 6/22/2022 meeting, the Board voted to renew the Minnesota Life as of 1/1/2023 with a 10% increase in the maximum premium and a 10% reduction in the administrative fee. Consistent with that renewal, it is recommended that the contribution rate for active employees also be increased by about 10%, from \$0.18 to \$0.20 per \$1,000 benefit, effective 1/1/23.

- Since 2015 the State and School Employees' Life and Health Insurance Plan has used previously accumulated surplus to fund a portion of increasing annual benefit costs.

Calendar Year	Ending Surplus	Gain (Loss)	Rate Increase
2012	\$247	\$35	0%
2013	\$249	\$2	0%
2014	\$269	\$21	0%
2015	\$274	\$5	0%
2016	\$254	(\$21)	0%
2017	\$229	(\$25)	0%
2018	\$189	(\$40)	0%
2019	\$145	(\$44)	3%
2020	\$114	(\$31)	3%
2021	\$63	(\$51)	3%

- Based upon current claims liability estimates, the Plan experienced a reduction in Plan Surplus of about \$51 million in CY21. This followed reductions of \$21 million in CY16, \$25 million in CY17, \$40 million in CY18, \$44 million in CY19, and \$31 million in CY20. Based on current projections, Plan surplus is expected to decline in CY22 by about \$32 million. The Plan is expected to end CY22 with about \$31 million of Plan surplus.
- Following 7 straight years with no increase in the premiums rates for non-Medicare rate classes, premium rates for active employees, dependents, and Legacy non-Medicare retirees were increased by 3% on 1/1/19, 3% on 1/1/20, 3% on 1/1/21, and 6% on 1/1/22, and at its meeting last month, the Board voted to increase rates by 6% on 1/1/23.

RECENT BENEFIT CHANGES

- **CY21**

Select Plan Deductible – In CY21 the medical deductible for Select coverage was increased by \$300. This Plan change was expected to reduce Plan costs in CY21 by about \$11.6 million.

Coinsurance Maximum – In CY21 the coinsurance maximums were increased by \$500 for both Select coverage and Base coverage. This Plan change was expected to reduce Plan costs in CY21 by about \$4.0 million.

- **CY22**

Select Plan Deductible – The in network medical deductible for Select coverage was increased by \$200 for CY22. This Plan change is expected to reduce Plan costs in CY22 by about \$7 million.

Implementation of the CVS Caremark “Value” Formulary – The Plan implemented the CVS Caremark "Value" Formulary on 7/1/22. CVS Caremark provided a preliminary annual savings estimate for this change of about \$18 million.

Drug Benefit Costs, per Member per Month

	Pharmacy Benefit Manager	Gross Benefits*	Drug Rebates	Net Drug Benefits*	Year over Year Increase Rates		
					Gross Benefits*	Drug Rebates	Net Drug Benefits*
CY12	Optum (Catamaran)	\$61.50	\$4.79	\$56.71	11.5%	2.0%	12.4%
CY13	Optum (Catamaran)	\$71.02	\$4.75	\$66.26	15.5%	-0.9%	16.9%
CY14	Optum (Catamaran)	\$78.29	\$6.34	\$71.96	10.2%	33.4%	8.6%
CY15	Optum (Catamaran)	\$87.04	\$7.01	\$80.03	11.2%	10.6%	11.2%
CY16	Prime Therapeutics	\$92.23	\$16.75	\$75.49	6.0%	138.8%	-5.7%
CY17	Prime Therapeutics	\$97.90	\$20.10	\$77.81	6.1%	20.0%	3.1%
CY18	Prime Therapeutics	\$104.70	\$23.73	\$80.97	6.9%	18.1%	4.1%
CY19	Prime Therapeutics	\$115.10	\$30.93	\$84.17	9.9%	30.4%	4.0%
CY20	Prime Therapeutics	\$124.62	\$35.62	\$89.00	8.3%	15.2%	5.7%
CY21*	CVS Caremark	\$145.88	\$55.49	\$90.39	17.1%	55.8%	1.6%

* Costs in CY21 are net of performance guarantees related to pricing.

Drug Claims Incurred in the First 6 Months of CY22

- Although the change from Prime to CVS Caremark produced favorable results in CY21, costs have increased significantly in the first half of CY22 versus the first half of CY21, as illustrated in the table below:

Drug Benefit Costs Incurred in the 1st Half of CY22 vs CY21 in Millions

	Gross Costs*	Drug Rebates	Net Costs*	Year over Year Increase Rates		
				Gross Costs*	Drug Rebates	Net Costs*
C21Q1	\$65.0	(\$24.8)	\$40.2			
C21Q2	\$75.9	(\$29.1)	\$46.9			
C21Q3	\$79.2	(\$29.7)	\$49.5			
C21Q4	\$82.8	(\$31.7)	\$51.1			
C22Q1	\$82.1	(\$33.8)	\$48.3	26.4%	36.5%	20.2%
C22Q2	\$90.9	(\$36.6)	\$54.3	19.8%	26.1%	15.9%
C21 1st Half	\$140.9	-\$53.8	\$87.0			
C22 1st Half	\$173.1	-\$70.5	\$102.6	22.9%	30.9%	17.9%

* Net of actual CY21 and projected CY22 pricing adjustments.

Savings Potential of the Change to the CVS Caremark “Value Formulary” as of 7/1/22

- Monthly results for CY21 and CY22 are shown in the table below. The amounts in the table below do not include actual CY21 or projected CY22 pricing adjustments. Quarterly rebates are allocated by month in proportion to gross costs. The rebate amounts for July 2022 and August 2022 are estimated.
- Although this analysis is preliminary, the improvement in July and August 2022 confirms the potential savings impact of the change to the Value Formulary.

Monthly Drug Benefit Costs Incurred in CY21 and CY22 (in millions)									
	CY21			CY22			Year over Year Increase Rates		
	Gross Costs	Allocated Drug Rebates	Net Costs	Gross Costs	Allocated Drug Rebates	Net Costs	Gross Costs	Drug Rebates	Net Costs
Jan	\$19.5	(\$7.7)	\$11.8	\$26.3	(\$11.0)	\$15.3	35%	43%	29%
Feb	\$21.2	(\$7.9)	\$13.4	\$26.4	(\$10.6)	\$15.8	24%	35%	18%
Mar	\$24.9	(\$9.2)	\$15.7	\$30.6	(\$12.2)	\$18.4	23%	32%	18%
Apr	\$25.8	(\$9.7)	\$16.1	\$29.3	(\$11.7)	\$17.6	13%	20%	9%
May	\$24.7	(\$9.3)	\$15.4	\$31.1	(\$12.3)	\$18.8	26%	33%	22%
Jun	\$27.0	(\$10.1)	\$16.9	\$32.0	(\$12.6)	\$19.3	19%	25%	15%
Jul	\$26.5	(\$9.7)	\$16.8	\$25.4	(\$9.7)	\$15.7	-4%	0%	-7%
Aug	\$27.5	(\$10.1)	\$17.4	\$28.9	(\$11.1)	\$17.9	5%	10%	3%
Sep	\$27.1	(\$9.9)	\$17.2						
Oct	\$27.9	(\$10.3)	\$17.6						
Nov	\$27.5	(\$10.3)	\$17.2						
Dec	\$29.5	(\$11.1)	\$18.5						

Growth in Incurred Claims per Member - NON DRUG

	Plan Primary				Medicare Primary			
	Percent Complete	PMPM	Annual Trend	3-Year Compound Trend	Percent Complete	PMPM	Annual Trend	3-Year Compound Trend
CY16	100.0%	\$253.39			100.0%	\$152.43		
CY17	100.0%	\$252.60	-0.3%		100.0%	\$159.72	4.8%	
CY18	100.0%	\$254.95	0.9%		100.0%	\$161.97	1.4%	
CY19	100.0%	\$262.89	3.1%	1.2%	100.0%	\$168.30	3.9%	3.4%
CY20	99.9%	\$258.86	-1.5%	0.8%	100.0%	\$160.94	-4.4%	0.3%
CY21*	99.0%	\$274.48	6.0%	2.5%	99.5%	\$183.67	14.1%	4.3%
FY17	100.0%	\$251.10			100.0%	\$155.24	1.5%	
FY18	100.0%	\$252.56	0.6%		100.0%	\$162.01	4.4%	
FY19	100.0%	\$258.15	2.2%		100.0%	\$163.61	1.0%	
FY20	100.0%	\$256.74	-0.5%	0.7%	100.1%	\$162.25	-0.8%	1.5%
FY21	99.5%	\$272.48	6.1%	2.6%	100.0%	\$173.00	6.6%	2.2%
FY22*	89.5%	\$269.97	-0.9%	1.5%	88.0%	\$195.47	13.0%	6.1%

* Based on estimates of outstanding claims.

PROJECTIONS

- **Funding Policy**

At its meeting on 6/22/22, the Board voted to increase the Plan's stated funding objective for Plan surplus from one half ($\frac{1}{2}$) of one month's Plan expenses to one full month of Plan expenses, effective 7/1/22.

- **Scenario A1 Projections Presented at the August 24 Board Meeting**

The projections appearing in this Report are consistent in most material respects with the Scenario A1 projections presented at the August 24 Board meeting. The projections in this Report assume current benefits and are based on the implementation of the CVS Caremark Value Formulary as of 7/1/22. The projections in this Report also assume rate increases of 6% on 1/1/23 and 7% on 1/1/24.

- The Plan is not expected to meet its stated funding objective throughout the projection period under these projection assumptions without additional funding or other Plan changes. However, it is anticipated that the Plan will be allocated at least \$60 million from the funds received by the State under the federal American Rescue Plan Act. If those funds are in fact allocated to the Plan, then the Plan is expected to meet the Plan's stated funding objective throughout the projection period.

SUMMARY PROJECTIONS (in Millions)

Assumes Current Benefits and Rate Increases of 6% on 1/1/23 and 7% on 1/1/24

	Health Premium	Health Claims	Health Expense	Life Ins Gain & Interest	Total Gain (Loss)	Gain (Loss) as a % of Premium	Year End Projected Surplus	Prior Surplus Objective	Revised Surplus Objective	Change in Surplus
FY23	\$841	(\$832)	(\$31)	\$1	(\$20)	-2.4%	\$56	\$37	\$73	(\$21)
FY24	\$897	(\$871)	(\$32)	\$1	(\$6)	-0.6%	\$50	\$38	\$77	(\$6)
FY25	\$955	(\$914)	(\$33)	\$1	\$9	1.0%	\$60	\$40	\$80	\$9
CY18							\$189			(\$40)
CY19							\$145			(\$44)
CY20							\$114			(\$31)
CY21							\$63			(\$51)
CY22							\$31			(\$32)
CY23	\$866	(\$852)	(\$31)	\$1	(\$16)	-1.9%	\$15	\$38	\$75	(\$16)
CY24	\$927	(\$893)	(\$32)	\$1	\$2	0.3%	\$17	\$39	\$79	\$2

TREND ASSUMPTIONS, NON-MEDICARE			
	Medical (1)	Drugs* (2)	Total
FY23	2.3%	3.8%	2.7%
FY24	3.0%	10.0%	4.9%
FY25	3.0%	10.0%	5.0%

RATE INCREASE ASSUMPTIONS		
	Plan Primary	Medicare Primary
01/01/23	6.0%	6.0%
01/01/24	7.0%	7.0%

* Net of drug rebates

(1) Net of an assumed reduction of 1.2% due to benefit changes on 1/1/22.

(2) Net of an assumed reduction in drug costs due to the formulary change on 7/1/22.

STATE OF MISSISSIPPI'S

STATE & SCHOOL EMPLOYEES'

LIFE & HEALTH INSURANCE PLAN

ACTUARIAL REPORT

FISCAL YEAR 2022

PREPARED BY:
Wm. Lynn Townsend, FSA, MAAA
Consulting Actuary

Wm. Lynn Townsend, FSA
CONSULTING ACTUARY

103 Hatheway Lane
Madison, MS 39110

WLTfSA@AOL.COM
601-362-1650

September 7, 2022

Ms. Cindy Bradshaw
State Insurance Administrator
Department of Finance and Administration
State of Mississippi
P. O. Box 24208
Jackson, Mississippi 39225

Dear Ms. Bradshaw:

This Actuarial Report is based on a review of the experience through June 30, 2022 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"), CVS Caremark, Health Data & Management Solutions ("HDMS"), 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,

A handwritten signature in black ink, appearing to read "Wm. Lynn Townsend", written in a cursive style.

Wm. Lynn Townsend, FSA, MAAA

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EXECUTIVE SUMMARY

For the last several calendar years, the State and School Employees' Life and Health Insurance Plan has used previously accumulated surplus to fund a portion of increasing annual benefit costs. Based upon current projections, the Plan is expected to experience a reduction in Plan Surplus of about \$32 million in CY22. This follows reductions of \$21 million in CY16, \$25 million in CY17, \$40 million in CY18, \$44 million in CY19, \$31 million in CY20, and \$51 million in CY21.

Following 7 straight years with no increase in the premiums rates for non-Medicare rate classes, premium rates for active employees, dependents, and Legacy non-Medicare retirees were increased by 3% on 1/1/19, 3% on 1/1/20, 3% on 1/1/21, and 6% on 1/1/22.

At its 2/23/22 meeting, the Health Insurance Management Board voted to implement the CVS Caremark "Value" Formulary for prescription drugs on 7/1/22. Also at its 2/23/22 meeting, the Health Insurance Management Board voted to plan on a 6% rate increase on 1/1/23. At its meeting on 8/24/2022, the Board reviewed summary projections under alternative rate increase scenarios, and the Board voted to use projections based on rate increases of 6% on 1/1/23 and 7% on 1/1/24.

Premiums versus Claims for Health Insurance (Excluding Plan Expenses)

Based on current claim liability estimates, incurred claims (net of subrogation receipts, claim refunds, and pharmacy rebates) increased from \$791.8 million in FY21 to \$809.6 million in FY22, an increase of 2.2%.

Premium versus Claims Incurred (in Millions)					
	FY18	FY19	FY20	FY21	FY22
Health Premiums	\$721.2	\$734.7	\$759.3	\$771.1	\$795.3
Health Claims Incurred	\$722.7	\$746.5	\$757.3	\$791.8	\$809.6
Loss Ratio (Claims/Premium)	100.2%	101.6%	99.7%	102.7%	101.8%

For the last several years, incurred loss ratios have been close to or a little over 100%. Plan expenses for administration and cost containment are close to 4%. Assuming a 4% expense rate, loss ratios that exceed 96% will produce annual Plan losses.

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)					
	FY18	FY19	FY20	FY21	FY22*
Health Insurance Gain (Loss)	(\$37.6)	(\$45.9)	(\$31.4)	(\$53.0)	(\$43.6)
Life Insurance Gain	1.1	3.6	2.4	0.7	0.3
Interest and Other Income	3.7	4.9	3.3	1.1	0.7
Total Gain (Loss)	(\$32.9)	(\$37.4)	(\$25.7)	(\$51.2)	(\$42.6)
Plan Surplus, Beginning of Year	\$265.9	\$233.0	\$195.8	\$170.1	\$118.9
Plan Surplus, End of Year	\$233.0	\$195.8	\$170.1	\$118.9	\$76.3

* Based on current estimates of outstanding claims.

EXECUTIVE SUMMARY (Continued)

FY22 Financial Summary

Based on current claims liability estimates, claims and expenses exceeded Plan revenue in FY22 by about \$42.6 million.

Financial Summary for FY22		
Health Premiums	\$ 795.3	
Health Claims Incurred	(809.6)	
Administrative & Cost Containment Expenses	<u>(29.3)</u>	
Subtotal Health Insurance		\$ (43.6)
Life Insurance Premium Contributions to the Plan	\$ 18.8	
Life Insurance Premiums to Minnesota Life	<u>(18.5)</u>	
Subtotal Life Insurance		0.3
Interest and Other Revenue		<u>0.7</u>
Total Gain (Loss)		<u><u>\$ (42.6)</u></u>
Plan Surplus, 6/30/21 (1), (2) , (3)		\$ 118.9
Plan Surplus, 6/30/22 (1), (3)		<u><u>\$ 76.3</u></u>
<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 other postemployment benefits ("OPEB"). According to the most recent valuation prepared by Cavanaugh Macdonald, the State's Total OPEB Liability associated with retiree benefits provided through the State and School Employees' Life and Health Insurance Plan was about \$645 million as of 6/30/21.		

Funding Policy

At its meeting on 6/22/22, the Board voted to increase the Plan's stated funding objective for Plan surplus from one half ($\frac{1}{2}$) of one month's Plan expenses to one full month of Plan expenses, effective 7/1/22. The previous stated funding objective had been in place since 11/30/10, at which time a formal funding policy for the Plan was first established by the Board.

EXECUTIVE SUMMARY (Continued)

Life Insurance

Life insurance claims were about \$19.2 million in CY20, \$21.6 million in CY21, and \$9.5 million in the first half of CY22. Compared to the \$14.0 million annual average for CY17 thru CY19, life insurance claims were up 37% in CY20, 55% in CY21, and 35% in the 1st 6 months of CY22. Much of this excess mortality is believed to be due to COVID-19.

Life insurance provided by the Plan has been insured with Minnesota Life Insurance Company since January 1, 2009. Under the Minnesota Life policy, the amount of premiums payable by the Plan to Minnesota Life for each calendar year are limited to the amount of claims actually incurred and paid, plus contractual administration charges, up to a stated maximum annual premium, with annual calendar year deficits carried forward to the next year, but not back to the prior year.

Prior to CY20 and CY21, the maximum premium provision did not have a significant impact on the Plan's annual funding, and in recent calendar years prior to CY20, the Plan's annual costs were significantly less than the maximum annual premium. However, the dramatic increase in mortality associated with COVID-19 resulted in the premiums paid to Minnesota Life in CY20 and CY21 – and so far in the 1st six months of CY22 - to be limited to the maximum premium, with excess losses being absorbed by Minnesota Life, but with those losses being subject to recoupment from the Plan should future annual surpluses arise due to improved future experience.

Prior to its recent renewal, the current terms of the Minnesota Life policy were set to expire on 12/31/2022. At its 6/22/2022 meeting, the Board voted to renew the Minnesota Life as of 1/1/2023 with a 10% increase in the maximum premium and a 10% reduction in the administrative fee. Consistent with that renewal, it is recommended that the contribution rate for active employees also be increased by about 10%, from \$0.18 to \$0.20 per \$1,000 benefit, effective 1/1/23.

CY21 Benefit Changes

Select Plan Deductible – In CY21 the medical deductible for Select coverage was increased by \$300. This Plan change was expected to reduce Plan costs in CY21 by about \$11.6 million.

Coinsurance Maximum – In CY21 the coinsurance maximums were increased by \$500 for both Select coverage and Base coverage. This Plan change was expected to reduce Plan costs in CY21 by about \$4.0 million.

CY22 Benefit Changes

Select Plan Deductible – The in network medical deductible for Select coverage was increased by \$200 for CY22. This Plan change is expected to reduce Plan costs in CY22 by about \$7 million.

Implementation of the CVS Caremark "Value" Formulary – The Plan implemented the CVS Caremark "Value" Formulary on 7/1/22. CVS Caremark provided a preliminary annual savings estimate for this change of about \$18 million.

EXECUTIVE SUMMARY (Continued)

Drug Claims Incurred in CY21 – CVS Caremark

The Plan changed pharmacy benefit managers from Prime Therapeutics to CVS Caremark on 1/1/21. After estimated incurred rebates and net of a \$6.2 million performance guarantee payment received in June 2022 related to CY21, net drug claims increased only slightly from \$186.8 million in CY20 to \$187.6 million in CY21. On a PMPM basis, this represented an increase of about 1.6%.

Although final results for CY21 were very favorable, preliminary results were not. CY21 Plan benefits paid at the time scripts were filled increased by about 18%. Although those costs were offset by CY21 quarterly rebates that increased by 54%, those rebates were not accounted for until after the end of a quarter, and actual rebate payments for a quarter did not begin until close to the end of the next following quarter. Further, the performance guarantee payment was not fully accounted for and paid until many months after the end of CY21.

CVS Caremark “Value Formulary” Implemented as of July 1, 2022

In response to ever-increasing drug benefit costs, the Plan switched to the more restrictive CVS Caremark “Value” Formulary as of July 1, 2022. Monthly results for CY21 and CY22 are shown in the table below. The rebate amounts for July 2022 and August 2022 are estimated. The amounts in the table below do not include actual CY21 or projected CY22 pricing adjustments. Although the analysis is preliminary, the improvement in July and August 2022 confirms the potential savings impact of the change to the Value Formulary.

Monthly Drug Benefit Costs Incurred in CY21 and CY22 in Millions

	Gross Costs*	Allocated Drug Rebates	Net Costs*	Year over Year Increase Rates		
				Gross Costs*	Drug Rebates	Net Costs*
1/21	\$19.5	(\$7.7)	\$11.8			
2/21	\$21.2	(\$7.9)	\$13.4			
3/21	\$24.9	(\$9.2)	\$15.7			
4/21	\$25.8	(\$9.7)	\$16.1			
5/21	\$24.7	(\$9.3)	\$15.4			
6/21	\$27.0	(\$10.1)	\$16.9			
7/21	\$26.5	(\$9.7)	\$16.8			
8/21	\$27.5	(\$10.1)	\$17.4			
9/21	\$27.1	(\$9.9)	\$17.2			
10/21	\$27.9	(\$10.3)	\$17.6			
11/21	\$27.5	(\$10.3)	\$17.2			
12/21	\$29.5	(\$11.1)	\$18.5			
1/22	\$26.3	(\$11.0)	\$15.3	35%	43%	29%
2/22	\$26.4	(\$10.6)	\$15.8	24%	35%	18%
3/22	\$30.6	(\$12.2)	\$18.4	23%	32%	18%
4/22	\$29.3	(\$11.7)	\$17.6	13%	20%	9%
5/22	\$31.1	(\$12.3)	\$18.8	26%	33%	22%
6/22	\$32.0	(\$12.6)	\$19.3	19%	25%	15%
7/22 Estimated	\$25.4	(\$9.7)	\$15.7	-4%	0%	-7%
8/22 Estimated	\$28.9	(\$11.1)	\$17.9	5%	10%	3%

* Amounts do not include actual CY21 or projected CY22 pricing adjustments.

EXECUTIVE SUMMARY (Continued)

Projections

At the 8/24/22 meeting of the Health Insurance Management Board, summary projections were provided under 2 alternative rate increase scenarios, and the Board voted to adopt the rate increase assumptions used with the “Scenario A1” projections presented at that meeting.

The projections appearing in this Report are consistent in most material respects with the Scenario A1 projections presented at the August 24 Board meeting. The projections in this Report assume current benefits and are based on the implementation of the CVS Caremark Value Formulary as of 7/1/22. The projections in this Report also assume rate increases of 6% on 1/1/23 and 7% on 1/1/24.

Summary projections appear below and detailed projections appear in the body of this Report.

The Plan is not expected to meet its stated funding objective throughout the projection period under these projection assumptions without additional funding or other Plan changes. However, it is anticipated that the Plan will be allocated at least \$60 million from the funds received by the State under the federal American Rescue Plan Act. If those funds are in fact allocated to the Plan, then the Plan is expected to meet the Plan’s stated funding objective throughout the projection period.

SUMMARY PROJECTIONS (in Millions)

Assumes Current Benefits and Rate Increases of 6% on 1/1/23 and 7% on 1/1/24

	Health Premium	Health Claims	Health Expense	Life Ins Gain & Interest	Total Gain (Loss)	Gain (Loss) as a % of Premium	Year End Projected Surplus	Prior Surplus Objective	Revised Surplus Objective	Change in Surplus
FY23	\$841	(\$832)	(\$31)	\$1	(\$20)	-2.4%	\$56	\$37	\$73	(\$21)
FY24	\$897	(\$871)	(\$32)	\$1	(\$6)	-0.6%	\$50	\$38	\$77	(\$6)
FY25	\$955	(\$914)	(\$33)	\$1	\$9	1.0%	\$60	\$40	\$80	\$9
CY18							\$189			(\$40)
CY19							\$145			(\$44)
CY20							\$114			(\$31)
CY21							\$63			(\$51)
CY22							\$31			(\$32)
CY23	\$866	(\$852)	(\$31)	\$1	(\$16)	-1.9%	\$15	\$38	\$75	(\$16)
CY24	\$927	(\$893)	(\$32)	\$1	\$2	0.3%	\$17	\$39	\$79	\$2

TREND ASSUMPTIONS, NON-MEDICARE			
	Medical (1)	Drugs* (2)	Total
FY23	2.3%	3.8%	2.7%
FY24	3.0%	10.0%	4.9%
FY25	3.0%	10.0%	5.0%

RATE INCREASE ASSUMPTIONS		
	Plan Primary	Medicare Primary
01/01/23	6.0%	6.0%
01/01/24	7.0%	7.0%

* Net of drug rebates

(1) Net of an assumed reduction of 1.2% due to benefit changes on 1/1/22.

(2) Net of an assumed reduction in drug costs due to the formulary change on 7/1/22.

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. This is particularly true during the throes of a global pandemic. There may also be elevated risk that health care costs could increase at higher rates than in prior years simply as a result of higher general inflation; no specific provision has been included for this contingency.

It is noted that current trend assumptions are considerably less than those that were actually 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. To that extent, these assumptions appear to me to be reasonable.

It is also noted 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 FY22 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 \$76 million as of 6/30/22. Based on the most recent valuation prepared by Cavanaugh Macdonald, the State's total liability for retiree life and health insurance benefits provided through the Plan was about \$645 million as of 6/30/21.

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 GASB Statement No. 74 Report that has been submitted to the Health Insurance Management Board by Cavanaugh Macdonald.

FY22 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 6/30/21 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 FY22		
Health Premiums	\$ 795.3	
Health Claims Incurred	(809.6)	
Administrative & Cost Containment Expenses	<u>(29.3)</u>	
Subtotal Health Insurance		\$ (43.6)
Life Insurance Premium Contributions to the Plan	\$ 18.8	
Life Insurance Premiums to Minnesota Life	<u>(18.5)</u>	
Subtotal Life Insurance		0.3
Interest and Other Revenue		<u>0.7</u>
Total Gain (Loss)		<u><u>\$ (42.6)</u></u>
Plan Surplus, 6/30/21 (1), (2), (3)		\$ 118.9
Plan Surplus, 6/30/22 (1), (3)		<u><u>\$ 76.3</u></u>
<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 other postemployment benefits ("OPEB"). According to the most recent valuation prepared by Cavanaugh Macdonald, the State's Total OPEB Liability associated with retiree benefits provided through the State and School Employees' Life and Health Insurance Plan was about \$645 million as of 6/30/21.		

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)					
	FY18	FY19	FY20	FY21	FY22*
Health Insurance Gain (Loss)	(\$37.6)	(\$45.9)	(\$31.4)	(\$53.0)	(\$43.6)
Life Insurance Gain	1.1	3.6	2.4	0.7	0.3
Interest and Other Income	3.7	4.9	3.3	1.1	0.7
Total Gain (Loss)	<u>(\$32.9)</u>	<u>(\$37.4)</u>	<u>(\$25.7)</u>	<u>(\$51.2)</u>	<u>(\$42.6)</u>
Plan Surplus, Beginning of Year	\$265.9	\$233.0	\$195.8	\$170.1	\$118.9
Plan Surplus, End of Year	\$233.0	\$195.8	\$170.1	\$118.9	\$76.3
* Based on current estimates of outstanding claims.					

CURRENT FUNDING STATUS

Plan Balance Sheet

As of 6/30/22, the Plan had an estimated funding surplus – prior to any applicable premium deficiency reserve – of \$76.3 million.

BALANCE SHEET AS OF 6/30/22	
ASSETS	
Cash and Invested Assets as of 6/30/22	\$156,472,962
Accrued Interest	32,156
Cash and Invested Assets (& Accrued Interest)	\$156,505,118
LIABILITIES	
Estimated Medical & Drug Claims Incurred But Not Reported	\$ 74,598,096
less Estimated Rebates Receivable on Drug Claims Incurred on Medical Claims	(3,834,860)
less Estimated Rebates Receivable on Drug Card Claims	(37,059,920)
Medical Claims Paid in June 22 by BCBS & in July 22 by the Plan	7,153,557
Drug Claims Paid in June 22 by CVS Caremark & in July 22 by the Plan	24,419,780
Premium Payable to Minnesota Life for Life Claims Billed for June 22	1,392,753
Estimated Future Premium for Life Claims Pending, Incurred prior to CY20	364,302
Premium Contributions Received in Advance (less Arrears)	10,777,496
Prior Period Expenses	
BCBS (Plan Administration)	1,535,170
Active Health	251,902
CVS Caremark	268,222
HDMS Decision Support System	20,153
KEPRO (Utilization Management)	189,000
Minnesota Life	81,319
Miscellaneous Expenses	21,165
Total Claim Liabilities and Accrued Expenses	<u>\$ 80,178,135</u>
PLAN SURPLUS (Prior to Any Applicable Premium Deficiency Reserve) ⁽¹⁾	<u><u>\$ 76,326,984</u></u>
<p><i>(1) Plan Surplus, as shown above, does not take into account the liabilities of the State, as an employer, for other postemployment benefits ("OPEB"). According to the most recent valuation prepared by Cavanaugh Macdonald, the State's Total OPEB Liability associated with retiree benefits provided through the State and School Employees' Life and Health Insurance Plan was about \$645 million as of 6/30/21.</i></p>	

CURRENT FUNDING STATUS (Continued)

Plan Balance Sheet (Continued)

The balance sheet presentation below is based on certain expenses that were actually liquidated after June 30 being recorded as a reduction in cash as of the end of FY22. This balance sheet presentation has been included to more clearly show those Plan liabilities that should be held as claim liabilities on the State's audited financial statements as of the end of FY22.

BALANCE SHEET AS OF THE END OF FY22	
ASSETS	
Cash and Invested Assets as of June 30, 2022	\$ 156,472,962
less Expenses Recorded as Paid in FY22 (but Paid after June 30, 2022)	
Drug Claims Paid in June 22 by CVS Caremark & in July 22 by the Plan	(24,419,780)
Premium Payable to Minnesota Life for Life Claims Billed for June 22	(1,392,753)
BCBS (Plan Administration)	(1,535,170)
Active Health	(251,902)
CVS Caremark	(268,222)
HDMS	(20,153)
KEPRO (Utilization Management)	(189,000)
Minnesota Life	(81,319)
Miscellaneous Expenses	(21,165)
Total Cash and Invested Assets, End of FY22	<u>\$ 128,293,498</u>
Accrued Interest	<u>\$ 32,156</u>
Cash and Invested Assets (& Accrued Interest)	\$ 128,325,654
LIABILITIES	
Claim Liabilities	
Estimated Medical & Drug Claims Incurred But Not Reported	\$ 74,598,096
less Estimated Rebates Receivable on Drugs Incurred on Medical Claims	(3,834,860)
less Estimated Rebates Receivable on Drug Card Claims	(37,059,920)
Estimated Future Premium for Life Claims Pending, Incurred prior to CY20	364,302
Medical Claims Paid in June 22 by BCBS & in July 22 by the Plan	7,153,557
Subtotal Claim Liabilities (Net)	\$ 41,221,175
Other Liabilities	
Premium Contributions Received in Advance (less Arrears)	10,777,496
Total Claim Liabilities and Other Liabilities	<u>\$ 51,998,671</u>
PLAN SURPLUS (Prior to Any Applicable Premium Deficiency Reserve) ⁽¹⁾	<u><u>\$ 76,326,984</u></u>

CURRENT FUNDING STATUS (Continued)

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 2022. 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 6/30/22 to be about \$67.2 million. About \$32.0 million of this was paid in July 2022, leaving an estimated \$35.2 million left to be paid after July 2022. The \$67.2 million liability represents about 1.46 months of estimated average medical claims (excluding drug claims) incurred in the last 6 months.

Claims Liability for Incurred but Not Reported Drug Claims

In general – for most valuation periods – the vast majority of incurred drug claims have been paid by the pharmacy benefit manager within the month in which the drug claim was incurred, and future negative adjustments have been more likely than additional future claims payments. As of 6/30/22, the drug claims liability, net of negative adjustments in July, was estimated to be negative \$595,000.

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 about \$74.6 million as of 6/30/22.

Rebates on Certain Drug Claims Paid by BCBS under the Medical Benefit

Through its own pharmacy benefit manager, BCBS receives rebates on certain drugs filed as medical claims by hospitals, physicians, and other outpatient providers. The rebates received by BCBS related to the claims on Plan members are paid by BCBS to the Plan. In July 2022, the Plan received \$2,265,350 in rebates related to medical drug claims incurred in FY21 and FY22. Including an estimate of about \$1.6 million for additional future rebates related to FY22 incurred claims, the Plan held a receivable of \$3.8 million as of 6/30/22 for rebates related to medical drug claims.

Rebates on Drug Claims Paid by CVS Caremark

The Plan receives rebate payments as a result of contracts in place between its pharmacy benefit manager, CVS Caremark, and various drug manufacturers. Under the Plan's contract with CVS Caremark, the Plan receives 100% of all rebates that are related to the Plan's claims. The Plan's contract with CVS Caremark also includes certain minimum rebate guarantees. After the end of each quarter, CVS Caremark bills the various manufacturers for applicable rebates, and by the end of the next quarter, the Plan receives a preliminary rebate payment. Final rebate payments for a given quarter could take quite some time, perhaps as long as year or longer after the completion of a given quarter, to obtain the total amount of rebates applicable.

As of 6/30/22, the Plan held a receivable of \$37.1 million for incurred rebates that have not yet been received by the Plan. Most of this is for rebates related to claims incurred in the 2nd quarter of 2022, and the Plan expects to receive a minimum rebate payment by the end of September 2022 of at least \$35.2 million for rebates related to claims incurred in the 2nd quarter of 2022.

CURRENT FUNDING STATUS (Continued)

Liability for Claims Paid by BCBS in June 2022 but Not Reimbursed until July 2022

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 2022, the Plan was billed by BCBS of MS \$7.2 million for medical claims paid to out-of-state providers thru June 30, 2022. This amount has been handled as a separate claims liability.

Liability for Claims Paid by CVS Caremark in June 2022 but Not Reimbursed until July 2022

Claims paid by CVS Caremark during June 2022 that were not reimbursed by the Plan until July 2022 totaled \$24.4 million. This amount has been handled as a separate claims liability.

Liability for Life Insurance Premiums to Minnesota Life

The life insurance policy with Minnesota Life limits the annual amount (determined on a calendar year basis) of life insurance premiums payable by the Plan to the amount of claims actually incurred and paid, plus contractual administration charges, up to a stated maximum annual premium. Incurred benefits are estimated to have exceeded the maximum annual premium by about \$2.0 million in CY20, about \$4.7 million in CY21, and another \$960,000 so far in CY22.

In addition to the administration charge of \$81,319 and the claims charge of \$1,392,753 billed to the Plan in July 2022, the Plan's estimated incurred liability for claims incurred would have been about \$8.1 million – prior to the application of the maximum premium provision – and was about \$364,000, after application of the maximum premium provision.

	Incurred Years				
	Pre CY20	CY20	CY21	1st 6 Mos CY22	Plan Liability
Maximum Premium Available for Claims		16,966,854	16,871,568	8,485,431	
Claims Incurred and Paid as of 6/30/22		18,699,514	20,677,600	5,708,980	
Claims Paid in July 2022	82,069	0	20,462	1,174,253	1,276,784
Pending Claims as of 7/31/22	282,233	308,872	916,005	2,062,810	3,569,921
Estimated IBNR			0	500,000	500,000
Claims Incurred and Paid as of 6/30/22		19,008,386	21,614,067	9,446,044	
Annual Surplus (Deficit), Incurred Basis		(2,041,532)	(4,742,499)	(960,613)	
Claims Paid by ML & Not Yet Billed to the Plan (in Excess of Maximum Premium)			2,762,241		<u>2,762,241</u>
Plan Liability, Prior to Maximum Premium					8,108,946
Cumulative Deficit, Incurred Basis					<u>(7,744,644)</u>
Plan Liability, After Maximum Premium Provision					364,302

Actuarial Opinion and Actuarial Opinion Memorandum

For additional details, see the separate Actuarial Opinion and Actuarial Opinion Memorandum that is being provided but has not been included in this Report.

LIFE INSURANCE

Increase in Life Insurance Claims Due to COVID-19

Life insurance claims were about \$19.2 million in CY20, \$21.6 million in CY21, and \$9.5 million in the first half of CY22. Compared to the \$14.0 million annual average for CY17 thru CY19, life insurance claims were up 37% in CY20, 55% in CY21, and 35% in the 1st 6 months of CY22. Much of this excess mortality is believed to be due to COVID-19.

Minnesota Life Insurance Company

Life insurance provided by the Plan has been insured with Minnesota Life Insurance Company since January 1, 2009. Under the Minnesota Life policy, the amount of premiums payable by the Plan to Minnesota Life for each calendar year are limited to the amount of claims actually incurred and paid, plus contractual administration charges, up to a stated maximum annual premium, with annual calendar year deficits carried forward to the next year, but not back to the prior year.

Prior to CY20 and CY21, the maximum premium provision did not have a significant impact on the Plan's annual funding, and in recent calendar years prior to CY20, the Plan's annual costs were significantly less than the maximum annual premium. However, the dramatic increase in mortality associated with COVID-19 resulted in the premiums paid to Minnesota Life in CY20 and CY21 – and so far in the 1st six months of CY22 – to be limited to the maximum premium, and on an incurred basis, resulted in annual deficits absorbed by Minnesota Life estimated to be about \$2.0 million in CY20; \$4.7 million in CY21; and another \$960,000 so far in CY22.

Prior to its recent renewal, the current Minnesota Life policy was set to expire on 12/31/2022. At its June 22, 2022, meeting, the Board voted to renew the Minnesota Life as of January 1, 2023, with a 10% increase in the maximum premium and a 10% reduction in the administrative fee.

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 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 Premium Contributions

The premium contribution for active employees is paid 50% each by the employee and the State. Effective 1/1/2014, the premium contribution rate was reduced by 25% from \$0.24 to \$0.18 per \$1,000 benefit. Consistent with the 10% increase in the maximum premium under the Minnesota Life policy effective 1/1/23, it is recommended that the contribution rate for active employees also be increased about 10%, from \$0.18 to \$0.20 per \$1,000 benefit, effective 1/1/23.

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.

LIFE INSURANCE (Continued)

Life Insurance Experience – Last 5 Fiscal Years

The life insurance experience for the last 5 fiscal years appears in the Table below. Claims incurred include claims actually paid, plus claims reported but not paid, plus an estimate for claims incurred in CY22 but not reported by 7/31/22 of \$500,000.

Comparison of "Premium" Contributions to Incurred Death Benefits and Admin Charge Prior to the Application of the Maximum Premium Provision					
	FY18	FY19	FY20	FY21	FY22
Active Employees					
Actual "Premium" Contributions	11,827,839	11,961,944	12,229,764	12,218,911	12,209,854
less Claims & Admin Charges					
Death Benefits on Active Employees	10,263,964	7,927,560	9,056,232	14,774,790	15,498,350
Death Benefits on Disabled Employees	922,115	788,522	466,652	233,649	159,001
Administrative Charges	540,119	595,868	633,657	622,873	628,260
Total Claims & Admin Charges	11,726,198	9,311,950	10,156,542	15,631,313	16,285,611
Net Addition to Plan Surplus	<u>101,641</u>	<u>2,649,994</u>	<u>2,073,222</u>	<u>-3,412,402</u>	<u>-4,075,757</u>
Gain (Loss) Percent	0.9%	22.2%	17.0%	-27.9%	-33.4%
Retired Employees					
"Premium" Contributions	5,573,558	5,863,680	6,137,741	6,364,779	6,591,652
less Claims & Admin Charges					
Death Benefits	4,370,486	4,605,408	5,459,910	6,383,216	5,125,166
Administration Charges	254,517	292,091	318,013	324,452	339,175
Total Claims & Admin Charges	4,625,003	4,897,499	5,777,923	6,707,668	5,464,341
Net Addition to Plan Surplus	<u>948,555</u>	<u>966,182</u>	<u>359,818</u>	<u>-342,889</u>	<u>1,127,311</u>
Gain (Loss) Percent	17.0%	16.5%	5.9%	-5.4%	17.1%
Total Active & Retired					
"Premium" Contributions	17,401,397	17,825,624	18,367,505	18,583,690	18,801,506
less Claims & Admin Charges					
Death Benefits	15,556,565	13,321,490	14,982,795	21,391,656	20,782,518
Administration Charges	794,635	887,959	951,670	947,326	967,435
Total Claims & Admin Charges	16,351,200	14,209,449	15,934,465	22,338,981	21,749,952
Net Addition to Plan Surplus	<u>1,050,197</u>	<u>3,616,176</u>	<u>2,433,040</u>	<u>-3,755,291</u>	<u>-2,948,446</u>
Gain (Loss) Percent	6.0%	20.3%	13.2%	-20.2%	-15.7%

Life Insurance Experience – Last 5 Calendar Years

The life insurance experience under the Plan for the last 5 completed calendar years is shown in the tables on the following page. The first table shows the experience of the Plan, prior to the application of the maximum premium provision. The second and third tables show the effect of the maximum premium provision.

LIFE INSURANCE (Continued)

Comparison of "Premium" Contributions to Incurred Death Benefits and Admin Charges Prior to the Application of the Maximum Premium Provision					
	CY17	CY18	CY19	CY20	CY21
Active Employees					
Actual "Premium" Contributions	11,897,042	11,909,847	12,073,290	12,300,175	12,216,744
less Claims & Admin Charges					
Death Benefits on Active Employees	8,264,497	9,352,187	8,345,977	12,464,652	15,848,544
Death Benefits on Disabled Employees	710,256	797,875	694,710	288,514	328,712
Administrative Charges	549,072	538,081	656,316	632,006	620,917
Total Claims & Admin Charges	9,523,825	10,688,143	9,697,003	13,385,172	16,798,173
Net Gain (Loss)	<u>2,373,217</u>	<u>1,221,703</u>	<u>2,376,287</u>	<u>(1,084,997)</u>	<u>(4,581,428)</u>
Gain (Loss) Percent	19.9%	10.3%	19.7%	-8.8%	-37.5%
Retired Employees					
"Premium" Contributions	5,433,596	5,719,087	6,001,769	6,256,346	6,472,816
less Claims & Admin Charges					
Death Benefits	4,551,909	4,320,421	4,808,429	6,416,299	5,429,281
Administration Charges	250,771	258,386	326,262	321,463	328,981
Total Claims & Admin Charges	4,802,680	4,578,806	5,134,691	6,737,762	5,758,262
Net Gain (Loss)	<u>630,916</u>	<u>1,140,281</u>	<u>867,078</u>	<u>(481,417)</u>	<u>714,554</u>
Gain (Loss) Percent	11.6%	19.9%	14.4%	-7.7%	11.0%
Total Active & Retired					
"Premium" Contributions	17,330,638	17,628,934	18,075,059	18,556,520	18,689,561
less Claims & Admin Charges					
Death Benefits	13,526,662	14,470,483	13,849,116	19,169,465	21,606,537
Administration Charges	799,843	796,467	982,578	953,469	949,899
Total Claims & Admin Charges	14,326,505	15,266,950	14,831,694	20,122,934	22,556,435
Net Gain (Loss)	<u>3,004,133</u>	<u>2,361,984</u>	<u>3,243,365</u>	<u>(1,566,414)</u>	<u>(3,866,875)</u>
Gain (Loss) Percent	17.3%	13.4%	17.9%	-8.4%	-20.7%

Effect on Minnesota Life of the Maximum Premium Provision under the Minnesota Life Contract					
	CY17	CY18	CY19	CY20	CY21
Minnesota Life Maximum Premium	16,443,873	16,384,275	17,662,557	17,920,324	17,819,610
Incurred Claims & Admin Charges	14,304,501	15,246,134	14,954,914	19,961,856	22,562,109
Minnesota Life Incurred Premiums	14,304,501	15,246,134	14,954,914	17,920,324	17,819,610
Annual Incurred Deficit at Minn Life				(2,041,532)	(4,742,499)
Cumulative Incurred Deficit at Minn Life				(2,041,532)	(6,784,031)

Effect on the Plan of the Maximum Premium Provision under the Minnesota Life Contract					
	CY17	CY18	CY19	CY20	CY21
Life Insurance Contributions	17,330,638	17,628,934	18,075,059	18,556,520	18,689,561
Incurred Premiums to Minn Life	14,304,501	15,246,134	14,954,914	17,920,324	17,819,610
Net Plan Gain (Loss)	3,026,137	2,382,800	3,120,145	636,196	869,951

HEALTH PLAN ENROLLMENT

Total Plan Enrollment

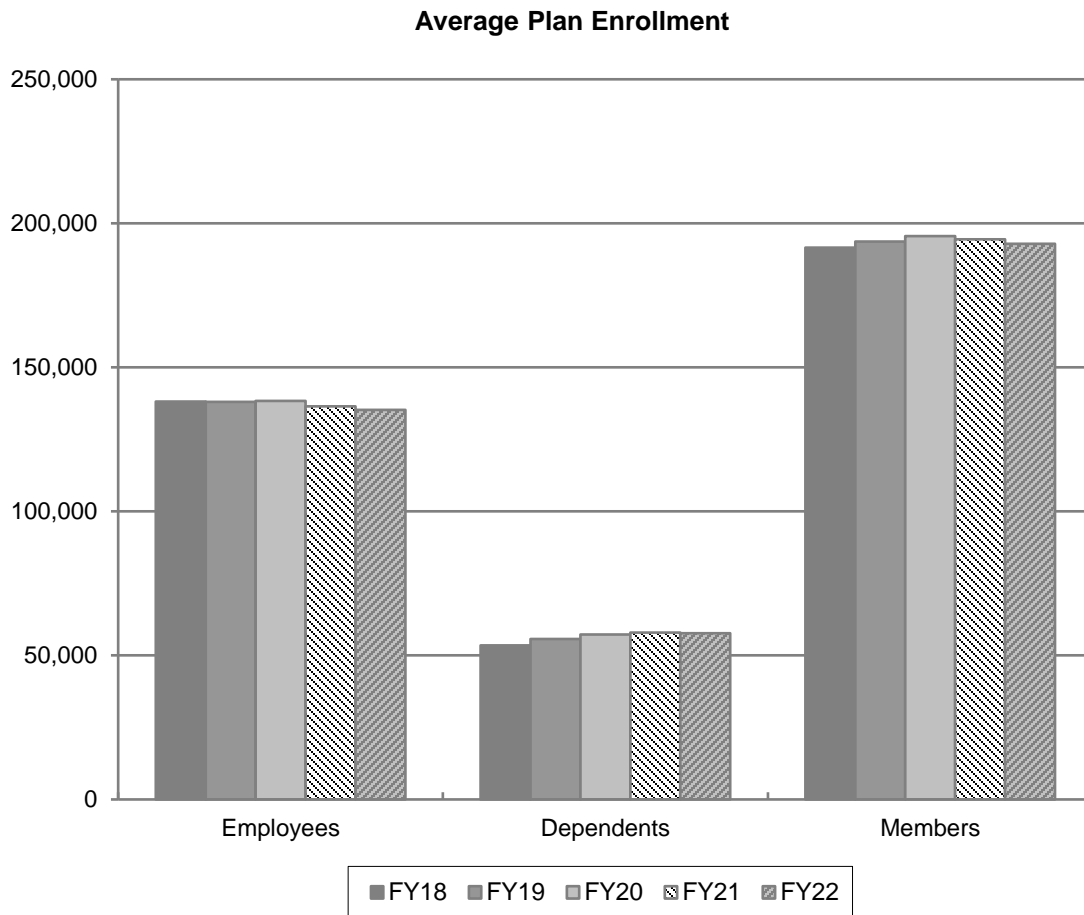
The average number of participating employees, dependents, and total members, by employee subgroup, were derived using the enrollment reports supplied by BCBS.

Average Fiscal Year Enrollment

Participant	FY20		FY21		FY22	
	Count	%	Count	%	Count	%
Employees						
Active	112,066	81.0%	110,001	80.6%	108,617	80.3%
COBRA	727	0.5%	735	0.5%	700	0.5%
Early Retirees	7,985	5.8%	7,844	5.7%	7,716	5.7%
Disabled Retiree (Non-Medicare)	147	0.1%	115	0.1%	100	0.1%
Disabled Retiree (Medicare)	849	0.6%	799	0.6%	743	0.5%
Medicare Retirees	16,597	12.0%	16,977	12.4%	17,317	12.8%
Total	138,370	100.0%	136,471	100.0%	135,192	100.0%
Total Retirees	25,578	18.5%	25,735	18.9%	25,875	19.1%
Dependents						
Active	51,582	90.2%	52,354	90.3%	52,103	90.2%
COBRA	354	0.6%	341	0.6%	356	0.6%
Early Retirees	1,944	3.4%	1,969	3.4%	2,022	3.5%
Disabled Retiree (Non-Medicare)	32	0.1%	25	0.0%	18	0.0%
Disabled Retiree (Medicare)	134	0.2%	123	0.2%	111	0.2%
Medicare Retirees	3,162	5.5%	3,141	5.4%	3,140	5.4%
Total	57,208	100.0%	57,952	100.0%	57,749	100.0%
Total Retirees	5,273	9.2%	5,257	9.1%	5,290	9.2%
Members						
Active	163,648	83.7%	162,355	83.5%	160,720	83.3%
COBRA	1,081	0.6%	1,076	0.6%	1,056	0.5%
Early Retirees	9,929	5.1%	9,813	5.0%	9,737	5.0%
Disabled Retiree (Non-Medicare)	179	0.1%	139	0.1%	117	0.1%
Disabled Retiree (Medicare)	983	0.5%	922	0.5%	854	0.4%
Medicare Retirees	19,759	10.1%	20,117	10.3%	20,457	10.6%
Total	195,578	100.0%	194,422	100.0%	192,941	100.0%
Total Retirees	30,850	15.8%	30,992	15.9%	31,165	16.2%

HEALTH PLAN ENROLLMENT (Continued)

Total Plan Enrollment Growth



Annual Enrollment Growth Rates in FY22			
	Active	Retirees	Total
Employees	-1.3%	0.5%	-0.9%
Dependents			
Spouse	-1.7%	-0.8%	-1.5%
Children	-0.2%	5.8%	0.0%
Total Dependents	-0.5%	0.6%	-0.3%
Employees & Dependents	-1.0%	0.6%	-0.8%

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. The State makes the same contribution for all employees for either Base or Select coverage. The monthly contribution paid for by the State was \$356 in 2011 thru 2018, \$367 in 2019, \$378 in 2020, and \$389 in 2021, and is \$412 in 2022.

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. The portion of the monthly Select coverage premium paid by active Horizon employees was \$18 for 2006 thru 2010, \$38 for 2011 thru 2018, \$39 in 2019, \$40 in 2020, and \$41 in 2021, and is \$43 in 2022.

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)

Year	Months	Legacy Employees	Horizon Employees
CY05	1-12	0.1%	N/A
CY06	1-12	0.3%	20.0%
CY07	1-12	0.5%	18.4%
CY08	1-12	0.6%	15.4%
CY09	1-12	0.6%	13.2%
CY10	1-12	0.6%	11.8%
CY11	1-12	1.9%	14.7%
CY12	1-12	2.5%	16.9%
CY13	1-12	3.2%	18.8%
CY14	1-12	3.8%	20.5%
CY15	1-12	4.4%	22.0%
CY16	1-12	4.4%	20.7%
CY17	1-12	4.5%	19.8%
CY18	1-12	4.7%	19.5%
CY19	1-12	5.0%	19.6%
CY20	1-12	5.3%	19.6%
CY21	1-12	5.7%	20.4%
CY22	1-06	6.2%	21.4%

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	1-12	49,014 95.3%	2,419 4.7%	51,433 100.0%	48,711 80.5%	11,806 19.5%	60,516 100.0%	45.9%	54.1%
CY19	1-12	45,781 95.0%	2,415 5.0%	48,196 100.0%	51,345 80.4%	12,515 19.6%	63,860 100.0%	43.0%	57.0%
CY20	1-12	42,628 94.7%	2,366 5.3%	44,994 100.0%	53,287 80.4%	12,996 19.6%	66,283 100.0%	40.4%	59.6%
CY21	1-12	39,092 94.3%	2,383 5.7%	41,474 100.0%	54,027 79.6%	13,880 20.4%	67,908 100.0%	37.9%	62.1%
CY22	1-6	36,829 93.8%	2,422 6.2%	39,251 100.0%	54,203 78.6%	14,751 21.4%	68,953 100.0%	36.3%	63.7%

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 61.6% on 6/30/21 to 64.2% on 6/30/22, which is an average monthly increase of about 0.21%.

If the percentage of employees who are Horizon employees were to continue to grow by an average of 0.21% per month, the Horizon proportion would grow to about 66.7% on 6/30/23, to 69.2% on 6/30/24, and to 71.8% on 6/30/25. Under that assumption, the average annual Horizon enrollment proportion would grow from 63.3% in FY22 to 65.5% in FY23, to 68.1% in FY24, and to 70.6% in FY25.

Historical Enrollment Growth by Premium Class

Following is a summary of the average enrollment, by premium class, for FY22 together with the enrollment growth rates within each class for the last 5 years.

Employee Enrollment Growth by Premium Class						
	Enrollment Growth Rates					Average Employee Enrollment
	FY18	FY19	FY20	FY21	FY22	FY22
Employee (Active & COBRA)	-2%	0%	0%	-2%	-1%	109,396
Spouse Only (Active & COBRA)	1%	0%	-2%	0%	-3%	3,868
Full Family (Active & COBRA)	8%	5%	2%	2%	-1%	5,613
Children Only (All Classes)	6%	6%	6%	3%	1%	8,692
Child Only (All classes)	4%	3%	1%	0%	-1%	10,905
Disabled Retiree - Non Medicare	-2%	-4%	-10%	-21%	-13%	100
Retired Employee - Non Medicare	-2%	-2%	-3%	-2%	-2%	7,708
Retiree Spouse Only - Non Medicare	-4%	-5%	-4%	-6%	-3%	978
Retiree Family - Non Medicare	-1%	2%	3%	3%	9%	235
Retiree Family - 1 on Medicare	15%	1%	5%	1%	1%	64
Retiree Spouse Only - Medicare	2%	2%	1%	0%	-1%	2,840
Retired Employee - Medicare*	4%	3%	3%	2%	2%	18,053
* Includes disabled retirees eligible for Medicare.						

HEALTH INSURANCE EXPERIENCE

Premiums versus Claims

Health insurance claims (prior to administrative expenses but after drug rebates) are estimated to have exceeded health insurance premiums by about \$14.2 million during FY22. 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.

Premium versus Claims Incurred (in Millions)					
	FY18	FY19	FY20	FY21	FY22
Health Premiums	\$721.2	\$734.7	\$759.3	\$771.1	\$795.3
Health Claims Incurred	\$722.7	\$746.5	\$757.3	\$791.8	\$809.6
Loss Ratio (Claims/Premium)	100.2%	101.6%	99.7%	102.7%	101.8%

Based on current claim liability estimates, incurred claims (net of subrogation receipts, claim refunds, and pharmacy rebates) increased from \$791.8 million in FY21 to \$809.6 million in FY22, an increase of 2.2%.

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

FY22 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:

FY22 PAID LOSS RATIOS			
SELECT AND BASE COVERAGE COMBINED: LEGACY AND HORIZON EMPLOYEES			
Prior to Plan Expenses, but Includes Allocated Drug Rebates			
	Monthly Average Premium	Monthly Paid Losses	Paid Loss Ratio
Active (& COBRA) Employees	\$428	\$405	94%
Active (& COBRA) Dependents			
Spouse Only	\$490	\$708	144%
Full Family	\$720	\$880	122%
Child Only *	\$166	\$211	127%
Children Only *	\$344	\$426	124%
Early Retiree (Disabled)	\$492	\$2,099	427%
Early Retiree (Non-Disabled)	\$485	\$648	134%
Spouse Only	\$577	\$641	111%
Full Family	\$838	\$815	97%
Medicare Retirees & Spouse Only (Medicare)**	\$199	\$194	98%

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

** Includes disabled retirees eligible for Medicare.

HEALTH INSURANCE EXPERIENCE (Continued)

ACTUAL FY22 PAID LOSS RATIOS BY PREMIUM CLASS (INCLUDES DRUG CARD REBATES) SELECT AND BASE COVERAGE COMBINED: LEGACY AND HORIZON EMPLOYEES						
	Active Employee	COBRA Employee	Early Retiree	Early Retiree Disabled	Medicare Retiree	Total*
AVERAGE COUNT						
Employee	108,704	692	7,708	100	18,053	135,257
Spouse (Regular)	3,835	33	645	5	327	4,846
Spouse (Medicare)	0	0	230	3	2,607	2,840
Family (Regular)	5,555	58	200	1	34	5,848
Child Only	10,406	44	318	5	131	10,905
Children Only	8,543	42	93	1	13	8,692
Family (1 on Medicare)	0	0	28	0	36	64
PREMIUM (in millions)						
Employee	558.7	3.7	44.8	0.6	43.0	650.8
Spouse (Regular)	22.6	0.2	4.4	0.0	2.3	29.5
Spouse (Medicare)	0.0	0.0	0.5	0.0	6.2	6.8
Family (Regular)	48.0	0.5	2.0	0.0	0.3	50.8
Child Only	20.6	0.1	0.7	0.0	0.3	21.7
Children Only	35.2	0.2	0.4	0.0	0.1	35.9
Family (1 on Medicare)	0.0	0.0	0.1	0.0	0.2	0.3
Total	685.1	4.6	53.0	0.7	52.3	795.8
CLAIMS (in millions)						
Employee	518.2	13.0	60.0	2.5	42.2	635.8
Spouse (Regular)	32.6	0.3	4.9	0.0	2.6	40.4
Spouse (Medicare)	0.0	0.0	0.6	0.0	5.8	6.4
Family (Regular)	58.5	0.8	2.0	0.0	0.3	61.6
Child Only	25.2	0.2	1.5	0.1	0.7	27.6
Children Only	43.6	0.2	0.6	0.0	0.1	44.5
Family (1 on Medicare)	0.0	0.0	0.2	0.0	0.4	0.5
Total	677.9	14.5	69.6	2.6	52.1	816.8
AVERAGE PREMIUM RATE, FY22						
Employee	428.33	440.36	484.87	492.03	198.51	
Spouse (Regular)	490.02	493.73	574.10	590.76	581.37	
Spouse (Medicare)	N/A	N/A	198.44	198.43	198.49	
Family (Regular)	719.50	729.86	835.93	841.00	846.70	
Child Only	165.20	169.10	173.84	174.84	174.89	
Children Only	343.75	345.11	350.29	351.00	351.85	
Family (1 on Medicare)	N/A	N/A	372.37	N/A	373.71	
LOSS RATIO						
Employee	93%	356%	134%	427%	98%	98%
Spouse (Regular)	144%	140%	110%	58%	115%	137%
Spouse (Medicare)	N/A	N/A	111%	23%	93%	94%
Family (Regular)	122%	161%	98%	33%	94%	121%
Child Only	122%	235%	222%	607%	237%	127%
Children Only	124%	133%	146%	17%	196%	124%
Family (1 on Medicare)	N/A	N/A	142%	N/A	231%	192%
Total	99%	314%	131%	395%	99%	103%
* Totals may not agree due to rounding. Does not include administrative expenses.						

HEALTH INSURANCE EXPERIENCE (Continued)

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

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

Legacy Employees – Select Coverage
 Legacy Employees – Base Coverage
 Horizon Employees – Select Coverage
 Horizon Employees – Base Coverage

FY22 PAID LOSS RATIOS ACTIVE EMPLOYEES ONLY Prior to Plan Expense, but Includes Allocated Drug Rebates					
	Average Number of Employees	Monthly Average Premium	Monthly Paid Losses	Paid Loss Ratio	CY22 Average Age
Legacy Employees					
Select	37,407	\$420	\$493	117%	52.2
Base (HDHP)	2,416	\$401	\$328	82%	50.3
Horizon Employees					
Select	54,342	\$442	\$386	87%	40.8
Base (HDHP)	14,540	\$401	\$204	51%	37.7
All Employees					
Base & Select	108,704	\$428	\$397	93%	44.4

HEALTH INSURANCE EXPERIENCE (Continued)

ACTUAL FY22 PAID LOSS RATIOS BY PREMIUM CLASS (INCLUDES DRUG CARD REBATES)						
SELECT COVERAGE: LEGACY EMPLOYEES						
	Active Employee	COBRA Employee	Early Retiree	Early Retiree Disabled	Medicare Retiree	Total*
AVERAGE COUNT						
Employee	37,407	174	7,526	95	17,780	62,982
Spouse (Regular)	1,717	10	623	5	315	2,671
Spouse (Medicare)	0	0	226	3	2,577	2,806
Family (Regular)	2,064	14	193	1	32	2,304
Child Only	3,553	12	310	5	126	4,005
Children Only	3,187	11	89	1	13	3,300
Family (1 on Medicare)	0	0	28	0	36	63
PREMIUM (in millions)						
Employee	188.7	0.9	43.6	0.5	42.4	276.1
Spouse (Regular)	10.3	0.1	4.3	0.0	2.2	16.8
Spouse (Medicare)	0.0	0.0	0.5	0.0	6.1	6.7
Family (Regular)	18.0	0.1	1.9	0.0	0.3	20.4
Child Only	7.5	0.0	0.6	0.0	0.3	8.4
Children Only	13.4	0.0	0.4	0.0	0.1	13.9
Family (1 on Medicare)	0.0	0.0	0.1	0.0	0.2	0.3
Total	237.8	1.2	51.5	0.6	51.5	342.6
CLAIMS (in millions)						
Employee	221.3	3.9	58.0	2.4	41.6	327.1
Spouse (Regular)	17.3	0.0	4.8	0.0	2.4	24.6
Spouse (Medicare)	0.0	0.0	0.6	0.0	5.7	6.3
Family (Regular)	29.4	0.1	1.9	0.0	0.3	31.7
Child Only	8.4	0.1	1.5	0.1	0.6	10.7
Children Only	16.6	0.0	0.6	0.0	0.1	17.3
Family (1 on Medicare)	0.0	0.0	0.2	0.0	0.4	0.5
Total	293.0	4.2	67.5	2.5	51.1	418.3
AVERAGE PREMIUM RATE, FY22						
Employee	420.33	430.55	482.68	482.46	198.50	
Spouse (Regular)	498.38	506.68	572.44	570.32	572.91	
Spouse (Medicare)	N/A	N/A	198.43	198.43	198.49	
Family (Regular)	727.66	739.65	837.14	841.00	838.26	
Child Only	174.93	180.01	174.85	174.29	174.90	
Children Only	350.80	356.77	350.89	351.00	351.85	
Family (1 on Medicare)	N/A	N/A	372.22	N/A	373.71	
LOSS RATIO						
Employee	117%	429%	133%	439%	98%	118%
Spouse (Regular)	169%	64%	113%	35%	111%	146%
Spouse (Medicare)	N/A	N/A	111%	23%	93%	94%
Family (Regular)	163%	78%	98%	33%	93%	155%
Child Only	113%	494%	225%	670%	241%	127%
Children Only	124%	91%	148%	17%	196%	124%
Family (1 on Medicare)	N/A	N/A	134%	N/A	231%	189%
Total	123%	360%	131%	406%	99%	122%
* Totals may not agree due to rounding. Does not include plan expenses.						

HEALTH INSURANCE EXPERIENCE (Continued)

ACTUAL FY22 PAID LOSS RATIOS BY PREMIUM CLASS (INCLUDES DRUG CARD REBATES)						
BASE COVERAGE: LEGACY EMPLOYEES						
	Active Employee	COBRA Employee	Early Retiree	Early Retiree Disabled	Medicare Retiree	Total*
AVERAGE COUNT						
Employee	2,416	15	112	1	0	2,544
Spouse (Regular)	109	1	14	0	0	123
Spouse (Medicare)	0	0	0	0	0	0
Family (Regular)	164	0	6	0	0	170
Child Only	299	2	7	0	0	309
Children Only	215	1	4	0	0	220
Family (1 on Medicare)	0	0	0	0	0	0
PREMIUM (in millions)						
Employee	11.6	0.1	0.6	0.0	0.0	12.3
Spouse (Regular)	0.6	0.0	0.1	0.0	0.0	0.7
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	1.3	0.0	0.1	0.0	0.0	1.4
Child Only	0.4	0.0	0.0	0.0	0.0	0.4
Children Only	0.8	0.0	0.0	0.0	0.0	0.8
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	14.7	0.1	0.8	0.0	0.0	15.5
CLAIMS (in millions)						
Employee	9.5	0.1	1.2	0.0	0.0	10.8
Spouse (Regular)	0.7	0.0	0.0	0.0	0.0	0.7
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	0.9	0.0	0.1	0.0	0.0	1.0
Child Only	0.3	0.0	0.0	0.0	0.0	0.3
Children Only	0.6	0.0	0.0	0.0	0.0	0.6
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	12.1	0.1	1.3	0.0	0.0	13.5
AVERAGE PREMIUM RATE, FY22						
Employee	400.54	405.60	460.21	461.86	N/A	
Spouse (Regular)	438.30	434.00	503.19	N/A	N/A	
Spouse (Medicare)	N/A	N/A	N/A	N/A	N/A	
Family (Regular)	668.11	661.00	767.84	N/A	N/A	
Child Only	113.50	117.25	130.59	N/A	N/A	
Children Only	290.56	288.00	334.86	N/A	N/A	
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	
LOSS RATIO						
Employee	82%	83%	195%	149%	N/A	88%
Spouse (Regular)	126%	164%	13%	N/A	N/A	112%
Spouse (Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Family (Regular)	69%	3%	140%	N/A	N/A	72%
Child Only	78%	62%	71%	N/A	N/A	78%
Children Only	80%	514%	138%	N/A	N/A	82%
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Total	82%	98%	169%	149%	N/A	87%
* Totals may not agree due to rounding. Does not include administrative expenses.						

HEALTH INSURANCE EXPERIENCE (Continued)

ACTUAL FY22 PAID LOSS RATIOS BY PREMIUM CLASS (INCLUDES DRUG CARD REBATES)						
SELECT COVERAGE: HORIZON EMPLOYEES						
	Active Employee	COBRA Employee	Early Retiree	Early Retiree Disabled	Medicare Retiree	Total*
AVERAGE COUNT						
Employee	54,342	428	67	3	273	55,114
Spouse (Regular)	1,579	16	9	1	12	1,616
Spouse (Medicare)	0	0	4	0	31	34
Family (Regular)	2,707	35	1	0	2	2,745
Child Only	5,197	25	1	1	6	5,229
Children Only	4,333	23	1	0	0	4,357
Family (1 on Medicare)	0	0	1	0	0	1
PREMIUM (in millions)						
Employee	288.5	2.3	0.6	0.0	0.7	292.2
Spouse (Regular)	9.4	0.1	0.1	0.0	0.1	9.7
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.1	0.1
Family (Regular)	23.7	0.3	0.0	0.0	0.0	24.0
Child Only	10.9	0.1	0.0	0.0	0.0	11.0
Children Only	18.3	0.1	0.0	0.0	0.0	18.4
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	350.8	2.9	0.7	0.0	0.9	355.3
CLAIMS (in millions)						
Employee	251.8	8.0	0.7	0.1	0.7	261.2
Spouse (Regular)	12.7	0.1	0.0	0.0	0.2	13.1
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.1
Family (Regular)	24.9	0.5	0.0	0.0	0.0	25.5
Child Only	13.8	0.1	0.0	0.0	0.0	13.9
Children Only	23.0	0.1	0.0	0.0	0.0	23.1
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	326.1	8.9	0.8	0.1	1.0	336.8
AVERAGE PREMIUM RATE, FY22						
Employee	442.48	450.97	760.75	762.61	198.55	
Spouse (Regular)	498.56	507.43	806.20	785.00	810.18	
Spouse (Medicare)	N/A	N/A	198.73	N/A	198.62	
Family (Regular)	728.20	739.77	982.50	N/A	982.50	
Child Only	174.98	177.88	175.00	180.00	174.55	
Children Only	351.08	356.16	351.00	N/A	N/A	
Family (1 on Medicare)	N/A	N/A	381.00	N/A	N/A	
LOSS RATIO						
Employee	87%	346%	121%	248%	102%	89%
Spouse (Regular)	134%	121%	49%	219%	192%	134%
Spouse (Medicare)	N/A	N/A	146%	N/A	60%	69%
Family (Regular)	105%	176%	36%	N/A	98%	106%
Child Only	126%	111%	155%	37%	141%	126%
Children Only	126%	147%	0%	N/A	N/A	126%
Family (1 on Medicare)	N/A	N/A	540%	N/A	N/A	540%
Total	93%	309%	112%	238%	110%	95%
* Totals may not agree due to rounding. Does not include plan expenses.						

HEALTH INSURANCE EXPERIENCE (Continued)

ACTUAL FY22 PAID LOSS RATIOS BY PREMIUM CLASS (INCLUDES DRUG CARD REBATES)						
BASE COVERAGE: HORIZON EMPLOYEES						
	Active Employee	COBRA Employee	Early Retiree	Early Retiree Disabled	Medicare Retiree	Total*
AVERAGE COUNT						
Employee	14,540	75	3	0	0	14,617
Spouse (Regular)	430	6	0	0	0	436
Spouse (Medicare)	0	0	0	0	0	0
Family (Regular)	621	9	0	0	0	629
Child Only	1,357	5	0	0	0	1,362
Children Only	808	7	0	0	0	815
Family (1 on Medicare)	0	0	0	0	0	0
PREMIUM (in millions)						
Employee	69.9	0.4	0.0	0.0	0.0	70.3
Spouse (Regular)	2.3	0.0	0.0	0.0	0.0	2.3
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	5.0	0.1	0.0	0.0	0.0	5.0
Child Only	1.9	0.0	0.0	0.0	0.0	1.9
Children Only	2.8	0.0	0.0	0.0	0.0	2.8
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	81.8	0.5	0.0	0.0	0.0	82.3
CLAIMS (in millions)						
Employee	35.6	1.1	0.0	0.0	0.0	36.7
Spouse (Regular)	1.8	0.1	0.0	0.0	0.0	1.9
Spouse (Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Family (Regular)	3.3	0.2	0.0	0.0	0.0	3.5
Child Only	2.6	0.0	0.0	0.0	0.0	2.7
Children Only	3.4	0.0	0.0	0.0	0.0	3.4
Family (1 on Medicare)	0.0	0.0	0.0	0.0	0.0	0.0
Total	46.8	1.4	0.0	0.0	0.0	48.2
AVERAGE PREMIUM RATE, FY22						
Employee	400.68	409.21	730.97	714.00	N/A	
Spouse (Regular)	438.26	443.52	717.00	N/A	N/A	
Spouse (Medicare)	N/A	N/A	N/A	N/A	N/A	
Family (Regular)	667.96	678.56	N/A	N/A	N/A	
Child Only	113.65	115.63	N/A	N/A	N/A	
Children Only	290.79	296.40	N/A	N/A	N/A	
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	
LOSS RATIO						
Employee	51%	290%	11%	772%	N/A	52%
Spouse (Regular)	81%	350%	-2%	N/A	N/A	84%
Spouse (Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Family (Regular)	67%	243%	N/A	N/A	N/A	69%
Child Only	143%	290%	N/A	N/A	N/A	143%
Children Only	120%	112%	N/A	N/A	N/A	120%
Family (1 on Medicare)	N/A	N/A	N/A	N/A	N/A	N/A
Total	57%	278%	10%	772%	N/A	59%
* Totals may not agree due to rounding. Does not include plan expenses.						

HEALTH INSURANCE EXPERIENCE (Continued)

Wellness/Preventive Benefit Costs

Following is a summary of the adult and child wellness benefits (medical benefits only) incurred in CY11 thru CY21:

Wellness Benefits Incurred (in Millions)						
Medical Benefits Only (i.e., not Including Drugs)						
	Adults	% Change	Children	% Change	Total	% Change
CY11	\$27.1	7%	\$6.7	0%	\$33.8	5%
CY12	\$29.7	10%	\$7.7	14%	\$37.4	10%
CY13	\$32.1	8%	\$7.7	1%	\$39.8	7%
CY14	\$33.0	3%	\$8.3	7%	\$41.2	4%
CY15	\$33.4	1%	\$8.4	1%	\$41.8	1%
CY16	\$31.3	-6%	\$9.4	12%	\$40.7	-3%
CY17	\$29.6	-6%	\$9.6	3%	\$39.2	-4%
CY18	\$30.4	3%	\$10.2	6%	\$40.5	3%
CY19	\$32.0	6%	\$10.7	5%	\$42.7	5%
CY20	\$28.2	-12%	\$10.5	-1%	\$38.8	-9%
CY21	\$30.0	6%	\$10.7	1%	\$40.7	5%

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 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.

Actions taken in response to COVID-19 significantly reduced medical (non-drug) claims costs during the spring of 2020. This affected the trend rate in CY20 and CY21 as well as FY20 and FY21.

Growth in Incurred Claims per Member - NON DRUG

	Plan Primary				Medicare Primary			
	Percent Complete	PMPM	Annual Trend	2-Year Compound Trend	Percent Complete	PMPM	Annual Trend	2-Year Compound Trend
CY16	100.0%	\$253.39	5.7%	2.9%	100.0%	\$152.43	0.9%	2.1%
CY17	100.0%	\$252.60	-0.3%	2.6%	100.0%	\$159.72	4.8%	2.8%
CY18	100.0%	\$254.95	0.9%	0.3%	100.0%	\$161.97	1.4%	3.1%
CY19	100.0%	\$262.89	3.1%	2.0%	100.0%	\$168.30	3.9%	2.7%
CY20	99.9%	\$258.86	-1.5%	0.8%	100.0%	\$160.94	-4.4%	-0.3%
CY21*	99.0%	\$274.48	6.0%	2.2%	99.5%	\$183.67	14.1%	4.5%
FY17	100.0%	\$251.10	-0.3%	2.9%	100.0%	\$155.24	1.5%	2.2%
FY18	100.0%	\$252.56	0.6%	0.1%	100.0%	\$162.01	4.4%	2.9%
FY19	100.0%	\$258.15	2.2%	1.4%	100.0%	\$163.61	1.0%	2.7%
FY20	100.0%	\$256.74	-0.5%	0.8%	100.1%	\$162.25	-0.8%	0.1%
FY21	99.5%	\$272.48	6.1%	2.7%	100.0%	\$173.00	6.6%	2.8%
FY22*	89.5%	\$269.97	-0.9%	2.5%	88.0%	\$195.47	13.0%	9.8%

* 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 for Select Coverage							
CALENDAR YEARS:	2005	2007	2009	2010	2014	2018	2020
	2006	2008		2013	2017	2019	2022
DEDUCTIBLE	\$50	\$50	\$50	\$75	\$75	\$75	\$75
COPAYS							
Generic (Tier 1)	\$12	\$13	\$12	\$12	\$12	\$12	\$12
Generic (Tier 2)							\$30 *
Preferred	\$30	\$33	\$36	\$40	\$45	\$45	\$45
Specialty / Non Preferred	\$50	\$55	\$60	\$65	\$70	\$100	\$100
* From 1/1/20 thru 6/30/22, the Tier 2 copay applied to certain higher cost generic drugs.							

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 1/1/06, 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 in CY21

The Plan changed pharmacy benefit managers from Prime Therapeutics to CVS Caremark on 1/1/21.

Gross Drug Claims Incurred in CY21 – Drug claims incurred by Plan members are paid by CVS Caremark and are billed to the Plan on a weekly basis. Prior to rebates – and prior to a payment received by the Plan in June 2022 from CVS Caremark for the performance guarantee related to CY21 drug pricing – gross drug claims incurred increased from \$262 million in CY20 to \$309 million in CY21, an increase of about 18%.

Drug Claim Rebates Incurred in CY21 – The Plan receives quarterly rebate payments in conjunction with contracts in place between CVS Caremark and various drug manufacturers. After excluding those rebates associated with medical claims, and based on current estimates of rebates receivable, rebates incurred in CY21 are estimated to have increased from \$75 million in CY20 to \$115 million in CY21, an increase of about 54%.

Performance Guarantee Payment Incurred in CY21 – The contract between the Plan and CVS Caremark includes an annual performance guarantee related to drug pricing. The Plan receives an analysis of preliminary results following the end of each quarter, and a final cumulative annual analysis and settlement after the end of the calendar year. The Plan received a payment of \$6.2 million from CVS Caremark in June 2022 related to the pricing performance guarantee in CY21.

Net Drug Claims Incurred in CY21 – After estimated incurred rebates and net of the performance guarantee payment received in June 2022, net drug claims increased only slightly from \$186.8 million in CY20 to \$187.6 million in CY21. On a PMPM basis, this represented an increase of about 1.6%.

HEALTH INSURANCE EXPERIENCE (Continued)

Drug Cost Trends for the Last 10 Years – Following are the trends in drug benefit costs per member per month for the last 10 calendar years.

Drug Benefit Costs, per Member per Month

	Gross Benefits*	Drug Rebates	Net Drug Benefits*	Year over Year Increase Rates		
				Gross Benefits*	Drug Rebates	Net Drug Benefits*
CY12	\$61.50	\$4.79	\$56.71	11.5%	2.0%	12.4%
CY13	\$71.02	\$4.75	\$66.26	15.5%	-0.9%	16.9%
CY14	\$78.29	\$6.34	\$71.96	10.2%	33.4%	8.6%
CY15	\$87.04	\$7.01	\$80.03	11.2%	10.6%	11.2%
CY16	\$92.23	\$16.75	\$75.49	6.0%	138.8%	-5.7%
CY17	\$97.90	\$20.10	\$77.81	6.1%	20.0%	3.1%
CY18	\$104.70	\$23.73	\$80.97	6.9%	18.1%	4.1%
CY19	\$115.10	\$30.93	\$84.17	9.9%	30.4%	4.0%
CY20	\$124.62	\$35.62	\$89.00	8.3%	15.2%	5.7%
CY21*	\$145.88	\$55.49	\$90.39	17.1%	55.8%	1.6%

* Costs in CY21 are net of performance guarantees related to pricing.

Drug Claims Incurred in the First 6 Months of CY22 – Although the change from Prime to CVS Caremark produced favorable results in CY21, costs have increased significantly in the first half of CY22 versus the first half of CY21, as illustrated in the table below:

Drug Benefit Costs Incurred in the 1st Half of CY22 vs CY21 in Millions

	Gross Costs*	Drug Rebates	Net Costs*	Year over Year Increase		
				Gross Costs*	Drug Rebates	Net Costs*
C21Q1	\$65.0	(\$24.8)	\$40.2			
C21Q2	\$75.9	(\$29.1)	\$46.9			
C21Q3	\$79.2	(\$29.7)	\$49.5			
C21Q4	\$82.8	(\$31.7)	\$51.1			
C22Q1	\$82.1	(\$33.8)	\$48.3	26.4%	36.5%	20.2%
C22Q2	\$90.9	(\$36.6)	\$54.3	19.8%	26.1%	15.9%
C21 1st Half	\$140.9	-\$53.8	\$87.0			
C22 1st Half	\$173.1	-\$70.5	\$102.6	22.9%	30.9%	17.9%

* Net of actual CY21 and projected CY22 pricing adjustments.

HEALTH INSURANCE EXPERIENCE (Continued)

CVS Caremark “Value Formulary” Implemented as of 7/1/22 – In response to ever-increasing drug benefit costs, the Plan switched to the more restrictive CVS Caremark “Value” Formulary as of 7/1/22. Monthly results for CY21 and CY22 are shown in the table below. The rebate amounts for July 2022 and August 2022 are estimated. This analysis confirms the potential savings impact of the change to the Value Formulary.

Monthly Drug Benefit Costs Incurred in CY21 and CY22 in Millions

	Gross Costs*	Allocated Drug Rebates	Net Costs*	Year over Year Increase Rates		
				Gross Costs*	Drug Rebates	Net Costs*
1/21	\$19.5	(\$7.7)	\$11.8			
2/21	\$21.2	(\$7.9)	\$13.4			
3/21	\$24.9	(\$9.2)	\$15.7			
4/21	\$25.8	(\$9.7)	\$16.1			
5/21	\$24.7	(\$9.3)	\$15.4			
6/21	\$27.0	(\$10.1)	\$16.9			
7/21	\$26.5	(\$9.7)	\$16.8			
8/21	\$27.5	(\$10.1)	\$17.4			
9/21	\$27.1	(\$9.9)	\$17.2			
10/21	\$27.9	(\$10.3)	\$17.6			
11/21	\$27.5	(\$10.3)	\$17.2			
12/21	\$29.5	(\$11.1)	\$18.5			
1/22	\$26.3	(\$11.0)	\$15.3	35%	43%	29%
2/22	\$26.4	(\$10.6)	\$15.8	24%	35%	18%
3/22	\$30.6	(\$12.2)	\$18.4	23%	32%	18%
4/22	\$29.3	(\$11.7)	\$17.6	13%	20%	9%
5/22	\$31.1	(\$12.3)	\$18.8	26%	33%	22%
6/22	\$32.0	(\$12.6)	\$19.3	19%	25%	15%
7/22 Estimated	\$25.4	(\$9.7)	\$15.7	-4%	0%	-7%
8/22 Estimated	\$28.9	(\$11.1)	\$17.9	5%	10%	3%

* Amounts do not include actual CY21 or projected CY22 pricing adjustments.

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 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.

Analysis of Incurred Claims Costs by Premium Class					
	FY18	FY19	FY20	FY21	FY22*
Monthly Cost					
Employee	\$345	\$354	\$364	\$396	\$406
Spouse Only	\$682	\$724	\$628	\$615	\$651
Full Family	\$774	\$781	\$768	\$800	\$820
Children Only	\$310	\$343	\$367	\$379	\$389
Child Only	\$208	\$203	\$201	\$218	\$209
Disabled Retiree	\$3,182	\$3,112	\$3,465	\$2,672	\$2,312
Early Retiree	\$645	\$670	\$674	\$655	\$655
Retiree Spouse (Non-Medicare)	\$667	\$690	\$653	\$625	\$614
Retiree/Spouse Combined (Medicare)	\$163	\$165	\$163	\$174	\$197
Annual Rate of Increase					
Employee	1%	3%	3%	9%	3%
Spouse Only	-2%	6%	-13%	-2%	6%
Full Family	8%	1%	-2%	4%	3%
Children Only	-6%	11%	7%	3%	3%
Child Only	14%	-3%	-1%	9%	-4%
Disabled Retiree	28%	-2%	11%	-23%	-13%
Early Retiree	0%	4%	1%	-3%	0%
Retiree Spouse (Non-Medicare)	19%	4%	-5%	-4%	-2%
Retiree/Spouse Combined (Medicare)	4%	1%	-1%	7%	13%
Ratio to Employee Cost					
Employee	1.00	1.00	1.00	1.00	1.00
Spouse Only	1.98	2.04	1.73	1.55	1.60
Full Family	2.25	2.20	2.11	2.02	2.02
Children Only	0.90	0.97	1.01	0.96	0.96
Child Only	0.60	0.57	0.55	0.55	0.51
Disabled Retiree	9.23	8.78	9.53	6.75	5.69
Early Retiree	1.87	1.89	1.85	1.65	1.61
Retiree Spouse (Non-Medicare)	1.93	1.95	1.80	1.58	1.51
Retiree/Spouse Combined (Medicare)	0.47	0.47	0.45	0.44	0.48
<i>* Based on estimates of outstanding claims as of 6/30/22.</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 FY22 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 was allocated to early retirees, i.e., for retirees for whom the Plan is Primary; and all interest income was allocated to active employees.

FY22 Plan Subsidy Costs				
	<u>Premiums</u>	<u>Claims</u>	<u>Expenses less Other Income</u>	<u>Gain (Loss)</u>
Active Dependents	\$126,317,958	(\$149,754,779)	(\$4,346,219)	(\$27,783,040)
COBRA Employees	4,616,903	(14,029,281)	(149,876)	(\$9,562,254)
Disabled Retirees - Plan Primary	659,011	(2,913,400)	(21,584)	(\$2,275,973)
Retirees - Plan Primary	52,999,033	(70,098,680)	(543,346)	(\$17,642,992)
Retirees - Medicare Primary	52,303,076	(52,155,494)	(3,912,868)	(\$3,765,287)
Disabled Retirees - Life Insurance	-	(159,001)	-	(159,001)
Subtotal - Subsidized Classes	\$236,895,980	(\$289,110,635)	(\$8,973,893)	(\$61,188,548)
Active Employees	\$558,447,153	(\$520,632,596)	(\$19,180,358)	\$18,634,199
Total Plan	\$795,343,133	(\$809,743,231)	(\$28,154,250)	(\$42,554,349)

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 FY22 an average of 28,340 active employees (or 26.1% of active employees) covered one or more of their dependents. The State incurred an average monthly subsidy cost of \$81.70 for each of those active employees. Similarly, the State incurred an average monthly subsidy cost of \$190.74 for each early retiree who was not disabled.

FY22 Plan Subsidy Costs per Active or Retired Employee			
<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	28,340	\$27,783,040	\$81.70
COBRA Employees	692	\$9,562,254	\$1,152.36
Disabled Retiree - Plan Primary	100	\$2,275,973	\$1,904.58
Retirees - Plan Primary	7,708	\$17,642,992	\$190.74
Retirees - Medicare Primary	18,053	\$3,765,287	\$17.38

HEALTH INSURANCE EXPERIENCE (Continued)

Retiree & Dependent Rate Subsidies (Continued)

The table that follows shows the FY22 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 \$46.91 in FY22.

Effect of Plan Subsidy Costs on Active Employee Premium Rate		
	FY22	
	Annual Costs	Monthly Cost per Active Employee
Total Active Employee Costs	\$539,812,954	\$413.82
Subsidy Costs for:		
COBRA Employees	9,562,254	7.33
Dependents of Active Employees	27,783,040	21.30
Disabled Retirees - Plan Primary	2,275,973	1.74
Retirees - Plan Primary	17,642,992	13.53
Retirees - Medicare Primary	3,765,287	2.89
Disabled Retirees - Life Insurance	<u>159,001</u>	<u>0.12</u>
Subtotal - Subsidy Costs	\$61,188,548	\$46.91
Total Current Year's Costs	\$601,001,502	\$460.73
less Current Costs Funded by Prior Year's Premium	(42,554,349)	(32.62)
Total Active Employee Premium Current Year	\$558,447,153	\$428.11

PLAN BENEFIT CHANGES

CY21 Plan Changes

Select Plan Deductible – The medical deductible for Select coverage in CY21 was increased by \$300. This Plan change was expected to reduce Plan costs in CY21 by about \$11.6 million.

Coinsurance Maximum – The coinsurance maximums for both Select and Base coverage in CY21 were increased by \$500. This Plan change was expected to reduce Plan costs in CY21 by about \$4.0 million.

CY21 SELECT COVERAGE						
	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
				\$75	\$12/\$30/\$45/\$100	
In Network	\$1,300	20%	\$3,000			\$6,500
Out-of-Network	\$2,300	40%	\$4,000			
<p>* 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</p> <p>Family Medical Deductibles are limited to 2 times the Individual Medical Deductibles. Family OOP Limits are limited to 2 times the Individual OOP Limits.</p>						

CY21 BASE COVERAGE						
	Combined Deductible*	Medical Coinsurance	Medical Coinsurance Maximum	Drug Copays	Combined Out-of- Pocket <u>Limit</u>	
<u>Self Only Coverage</u>						
In Network	\$1,800	20%	\$3,000	\$12/\$30/\$45/\$100	\$6,500	
Out-of-Network	\$1,800	40%	\$4,000	\$12/\$30/\$45/\$100		
<u>Family Coverage</u>					Per Family	Each Person
In Network	\$3,000	20%	\$5,500	\$12/\$30/\$45/\$100	\$13,000	\$6,500
Out-of-Network	\$3,000	40%	\$7,500	\$12/\$30/\$45/\$100		
* Drugs on the HSA Preventive Drug list are subject only to a separate \$75 deductible.						

PLAN BENEFIT CHANGES (Continued)

CY22 Plan Changes

Select Plan Deductible – The in network medical deductible for Select coverage for CY22 was increased by \$200. This Plan change is expected to reduce Plan costs in CY22 by about \$7 million.

CY22 SELECT COVERAGE						
	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	\$1,500	20%	\$3,000	\$75	\$12/\$30/\$45/\$100	\$6,500
Out-of-Network	\$2,300	40%	\$4,000			
<p>* PCP Copay Feature (In-Network Only)</p> <p>PCP office visit charges are not subject to the deductible.</p> <p>PCP office visit copay: \$25 (applies to the evaluation & management charge)</p> <p>PCP office visits charges other than the evaluation & management charge: 20% coinsurance</p> <p>Family Medical Deductibles are limited to 2 times the Individual Medical Deductibles.</p> <p>Family OOP Limits are limited to 2 times the Individual OOP Limits.</p>						

Implementation on 7/1/22 of the CVS Caremark “Value” Formulary – At its 2/23/22 meeting, the Board approved the implementation of a formulary for prescription drugs based on the CVS Caremark "Value" Formulary. Based on an analysis provided by CVS Caremark, the “Value” Formulary is expected to reduce annual drug costs by about \$18.3 million.

HISTORICAL HEALTH INSURANCE RATE INCREASES

Summary of Active Employee Rate Increases from 1986 through January 2022

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%	January 1, 2011
2012-2018	0%	
2019	3%	January 1, 2019
2020	3%	January 1, 2020
2021	3%	January 1, 2021
2022	6%	January 1, 2022

As of 1/1/22, the above rate increase history is equivalent to a compound annual rate of:

- 3.8% for the last 20 years
- 1.4% for the last 10 years
- 2.8% for the last 5 years

Dependent and Retiree Rate Increases

Rate increases for the last 12 years for dependents and retirees are illustrated in the Table below:

Average Dependent & Retiree Rate Increases								
	2011	2012	2016	2017	2019	2020	2021	2022
Dependents of Active Employees	15%	0%	0%	0%	3%	3%	3%	6%
Non-Medicare Retirees	4%	0%	0%	0%	3%	3%	3%	6%
Dependents of Retired Employees	15%	0%	0%	0%	3%	3%	3%	6%
Medicare Retirees	15%	2%	-5%	2%	2%	2%	2%	2.5%

FUNDING POLICY

At the 11/30/10 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 expenses (based upon the average monthly expenses for the last twelve months). **At its meeting on 6/22/22, the Board voted to increase the Plan's stated funding objective for Plan surplus from one half ($\frac{1}{2}$) of one month's Plan expenses to one full month of Plan expenses, effective 7/1/22.**

It should be noted that the funding policy described above does not address the issues raised by the implementation of GASB accounting rules applicable to postemployment life and health insurance benefits. 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 GASB Statement No. 74 Report that has been submitted to the Health Insurance Management Board by Cavanaugh Macdonald.

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 more detailed description of those and other assumptions used in these projections.

Non-Drug Benefit Trend

The basic annual trend assumption, prior to benefit changes, for non-drug benefits was 3% for both non-Medicare and Medicare primary premium classes. Benefit changes effective 1/1/2022 were expected to reduce non-drug benefits for non-Medicare primary classes by about 1.2% for the remaining half of CY22. The trend assumption for non-Medicare premium classes was 2.3% for FY23 (on average) and 3% annually for the remainder of the projection period.

Drug Benefit Trend

Prior to any Plan or benefit changes, the basic annual trend assumption for the remainder of CY22 thru CY24 for drug benefits, net of rebates, was 10%. However, the Plan implemented the CVS Caremark Value Formulary as of 7/1/22. The trend assumptions for net drug benefits are explained in greater detail in the Assumptions Section appearing later in this Report. In summary, net drug claims are projected to increase by 3.8% in FY23 and by 10% per year for the remainder of the projection period. The lower trend assumption in FY23 versus later years is related to the savings associated with the change to the Value Formulary. The increase in trend assumptions in later years – compared to those used in prior projections – is due to the increased usage of high-cost specialty drugs, as well as due to higher general inflation.

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. This is particularly true during the throes of a global pandemic. There may also be elevated risk that health care costs could increase at higher rates than in prior years simply as a result of higher general inflation; no specific provision has been included for this contingency.

It is noted that current trend assumptions are considerably less than those that were actually 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. To that extent, these assumptions appear to me to be reasonable.

It is also noted 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.

PLAN PROJECTIONS (Continued)

Projections

At the 8/24/22 meeting of the Health Insurance Management Board, summary projections were provided under 2 alternative rate increase scenarios, and the Board voted to adopt the rate increase assumptions used with the “Scenario A1” projections presented at that meeting.

The projections appearing in this Report are consistent in most material respects with the Scenario A1 projections presented at the August 24 Board meeting. The projections in this Report assume current benefits and are based on the implementation of the CVS Caremark Value Formulary as of 7/1/22. The projections in this Report also assume rate increases of 6% on 1/1/23 and 7% on 1/1/24.

Summary projections appear below and detailed projections appear on the pages that follow.

The Plan is not expected to meet its stated funding objective throughout the projection period under these projection assumptions without additional funding or other Plan changes. However, it is anticipated that the Plan will be allocated at least \$60 million from the funds received by the State under the federal American Rescue Plan Act. If those funds are in fact allocated to the Plan, then the Plan is expected to meet the Plan’s stated funding objective throughout the projection period.

SUMMARY PROJECTIONS (in Millions)

Assumes Current Benefits and Rate Increases of 6% on 1/1/23 and 7% on 1/1/24

	Health Premium	Health Claims	Health Expense	Life Ins Gain & Interest	Total Gain (Loss)	Gain (Loss) as a % of Premium	Year End Projected Surplus	Prior Surplus Objective	Revised Surplus Objective	Change in Surplus
FY23	\$841	(\$832)	(\$31)	\$1	(\$20)	-2.4%	\$56	\$37	\$73	(\$21)
FY24	\$897	(\$871)	(\$32)	\$1	(\$6)	-0.6%	\$50	\$38	\$77	(\$6)
FY25	\$955	(\$914)	(\$33)	\$1	\$9	1.0%	\$60	\$40	\$80	\$9
CY18							\$189			(\$40)
CY19							\$145			(\$44)
CY20							\$114			(\$31)
CY21							\$63			(\$51)
CY22							\$31			(\$32)
CY23	\$866	(\$852)	(\$31)	\$1	(\$16)	-1.9%	\$15	\$38	\$75	(\$16)
CY24	\$927	(\$893)	(\$32)	\$1	\$2	0.3%	\$17	\$39	\$79	\$2

TREND ASSUMPTIONS, NON-MEDICARE

	Medical (1)	Drugs* (2)	Total
FY23	2.3%	3.8%	2.7%
FY24	3.0%	10.0%	4.9%
FY25	3.0%	10.0%	5.0%

RATE INCREASE ASSUMPTIONS

	Plan Primary	Medicare Primary
01/01/23	6.0%	6.0%
01/01/24	7.0%	7.0%

* Net of drug rebates

(1) Net of an assumed reduction of 1.2% due to benefit changes on 1/1/22.

(2) Net of an assumed reduction in drug costs due to the formulary change on 7/1/22.

PROJECTED ASSETS, LIABILITIES, & FUNDING STATUS *

Based on the Implementation of the CVS Caremark Value Formulary on 7/1/22

Based on Rate Increases of 6% on 1/1/23 and 7% on 1/1/24

Mo	Yr	Total Plan Assets	Total Plan Liabilities	Assets less Liabilities
6	22	156,505,118	80,178,135	76,326,984
7	22	146,061,537	75,939,329	70,122,208
8	22	165,241,327	102,696,217	62,545,110
9	22	151,260,298	92,220,597	59,039,700
10	22	135,906,437	81,694,768	54,211,669
11	22	149,094,217	102,068,418	47,025,799
12	22	128,981,951	97,841,487	31,140,464
1	23	118,421,040	76,808,048	41,612,993
2	23	143,918,772	90,652,229	53,266,543
3	23	137,257,243	81,331,151	55,926,092
4	23	130,769,515	69,325,228	61,444,287
5	23	152,592,966	91,079,090	61,513,876
6	23	140,113,217	84,035,649	56,077,568
7	23	127,117,774	76,527,759	50,590,015
8	23	146,337,422	102,691,750	43,645,673
9	23	132,125,557	91,214,154	40,911,403
10	23	116,444,121	79,655,012	36,789,109
11	23	132,191,845	101,928,752	30,263,093
12	23	111,498,564	96,809,567	14,688,997
1	24	101,661,880	74,376,214	27,285,666
2	24	131,134,136	90,067,874	41,066,262
3	24	125,032,835	79,636,490	45,396,345
4	24	119,181,401	66,450,884	52,730,517
5	24	144,637,007	90,267,683	54,369,324
6	24	132,455,395	82,154,377	50,301,018
7	24	119,944,913	73,674,525	46,270,388
8	24	143,016,751	102,322,866	40,693,885
9	24	129,305,851	89,832,804	39,473,047
10	24	113,926,668	77,131,998	36,794,669
11	24	133,152,888	101,484,704	31,668,185
12	24	112,567,520	95,441,321	17,126,199

* Prior to Applicable Premium Deficiency Reserves, if Any

PROJECTED PLAN LIABILITIES *

Based on the Implementation of the CVS Caremark Value Formulary on 7/1/22

Based on Rate Increases of 6% on 1/1/23 and 7% on 1/1/24

Mo	Yr	Health Clms Incurred But Not Reported	BCBS Drug Rebates Due & Accrued	PBM Drug Rebates Receivable	Health Claims Payable	Life Claims Incurred But Not Reported	Life Claims Payable	Advance less Due Premium	Expenses Payable
6	22	74,598,096	-3,834,860	-37,059,920	31,573,337	364,302	1,392,753	10,777,496	2,366,931
7	22	77,870,314	-1,569,510	-46,836,293	31,573,337	364,302	1,392,753	10,777,496	2,366,931
8	22	79,558,480	-1,569,510	-21,767,572	31,573,337	364,302	1,392,753	10,777,496	2,366,931
9	22	77,707,868	-1,569,510	-30,392,579	31,573,337	364,302	1,392,753	10,777,496	2,366,931
10	22	77,554,054	-1,569,510	-40,764,595	31,573,337	364,302	1,392,753	10,777,496	2,366,931
11	22	79,629,030	-1,569,510	-22,465,920	31,573,337	364,302	1,392,753	10,777,496	2,366,931
12	22	85,281,178	-1,569,510	-32,344,999	31,573,337	364,302	1,392,753	10,777,496	2,366,931
1	23	75,313,905	-1,569,510	-43,411,166	31,573,337	364,302	1,392,753	10,777,496	2,366,931
2	23	69,282,737	-1,569,510	-23,535,816	31,573,337	364,302	1,392,753	10,777,496	2,366,931
3	23	70,898,792	-1,569,510	-34,472,949	31,573,337	364,302	1,392,753	10,777,496	2,366,931
4	23	70,617,098	-1,569,510	-46,197,178	31,573,337	364,302	1,392,753	10,777,496	2,366,931
5	23	72,135,051	-1,569,510	-25,961,269	31,573,337	364,302	1,392,753	10,777,496	2,366,931
6	23	76,382,977	-1,569,510	-37,252,636	31,573,337	364,302	1,392,753	10,777,496	2,366,931
7	23	79,629,097	-1,569,510	-48,006,646	31,573,337	364,302	1,392,753	10,777,496	2,366,931
8	23	81,559,040	-1,569,510	-23,772,599	31,573,337	364,302	1,392,753	10,777,496	2,366,931
9	23	79,694,970	-1,569,510	-33,386,125	31,573,337	364,302	1,392,753	10,777,496	2,366,931
10	23	79,545,045	-1,569,510	-44,795,341	31,573,337	364,302	1,392,753	10,777,496	2,366,931
11	23	81,690,243	-1,569,510	-24,666,799	31,573,337	364,302	1,392,753	10,777,496	2,366,931
12	23	87,498,207	-1,569,510	-35,593,948	31,573,337	364,302	1,392,753	10,777,496	2,366,931
1	24	77,237,637	-1,569,510	-47,766,731	31,573,337	364,302	1,392,753	10,777,496	2,366,931
2	24	71,066,412	-1,569,510	-25,903,847	31,573,337	364,302	1,392,753	10,777,496	2,366,931
3	24	72,730,135	-1,569,510	-37,998,953	31,573,337	364,302	1,392,753	10,777,496	2,366,931
4	24	72,441,180	-1,569,510	-50,895,605	31,573,337	364,302	1,392,753	10,777,496	2,366,931
5	24	73,998,480	-1,569,510	-28,636,106	31,573,337	364,302	1,392,753	10,777,496	2,366,931
6	24	78,375,293	-1,569,510	-41,126,224	31,573,337	364,302	1,392,753	10,777,496	2,366,931
7	24	81,724,852	-1,569,510	-52,955,636	31,573,337	364,302	1,392,753	10,777,496	2,366,931
8	24	83,715,742	-1,569,510	-26,298,184	31,573,337	364,302	1,392,753	10,777,496	2,366,931
9	24	81,800,558	-1,569,510	-36,873,062	31,573,337	364,302	1,392,753	10,777,496	2,366,931
10	24	81,649,890	-1,569,510	-49,423,200	31,573,337	364,302	1,392,753	10,777,496	2,366,931
11	24	83,861,199	-1,569,510	-27,281,804	31,573,337	364,302	1,392,753	10,777,496	2,366,931
12	24	89,837,680	-1,569,510	-39,301,668	31,573,337	364,302	1,392,753	10,777,496	2,366,931

* Prior to Applicable Premium Deficiency Reserves, if Any

FY23 PROJECTED PLAN EXPERIENCE
Based on the Implementation of the CVS Caremark Value Formulary on 7/1/22
Based on Rate Increases of 6% on 1/1/23 and 7% on 1/1/24

CLASS	Active/ Retired	Avg Count 07/01/22 06/30/23	Prem Rate* 07/01/22	Rate Incr 07/01/22	Prem Rate* 01/01/23	Rate Incr 01/01/23	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
Employee	Active	109,396	\$432	0.0%	\$457	5.8%	595,812,989	-548,102,786	-20,430,625	27,279,578	5%
Spouse Only	Active	3,868	\$513	0.0%	\$544	6.0%	24,049,527	-31,006,855	-824,666	-7,781,995	-32%
Full Family	Active	5,613	\$749	0.0%	\$794	6.0%	51,267,697	-56,774,292	-1,757,986	-7,264,581	-14%
Children Only	Act/Ret	8,692	\$361	0.0%	\$383	6.1%	37,717,018	-41,613,999	-1,293,329	-5,190,310	-14%
Child Only	Act/Ret	10,905	\$180	0.0%	\$191	6.1%	22,891,490	-28,013,554	-784,957	-5,907,021	-26%
Disabled Employee	Retired	100	\$496	0.0%	\$525	5.8%	609,424	-2,844,856	-22,830	-2,258,263	-371%
Employee	Retired	7,708	\$496	0.0%	\$525	5.8%	47,187,094	-62,248,768	-1,517,187	-16,578,861	-35%
Spouse Only	Retired	978	\$590	0.0%	\$626	6.1%	7,127,433	-7,403,965	-180,457	-456,989	-6%
Full Family	Retired	235	\$862	0.0%	\$913	5.9%	2,501,809	-2,312,422	-56,361	133,027	5%
Family (1 On Medicare)	Retired	64	\$381	0.0%	\$404	6.0%	299,814	-551,238	-13,435	-264,859	-88%
Spouse Only (Medicare)	Retired	2,840	\$201	0.0%	\$213	6.0%	7,053,959	-6,885,077	-562,836	-393,954	-6%
Employee (Medicare)	Retired	18,053	\$201	0.0%	\$213	6.0%	44,846,945	-43,900,841	-3,578,341	-2,632,237	-6%
Total Health Insurance							841,365,196	-831,658,653	-31,023,009	-21,316,466	-2.5%
RECAP BY SUBGROUP											
Active Employees							595,812,989	-548,102,786	-20,430,625	27,279,578	5%
Dependents Of Active Employees							135,925,731	-157,408,700	-4,660,938	-26,143,908	-19%
Disabled Retirees (Regular)							609,424	-2,844,856	-22,830	-2,258,263	-371%
Retirees & Dependents (Regular)							57,116,150	-72,516,393	-1,767,439	-17,167,682	-30%
Retirees & Spouse Only (Medicare)							51,900,903	-50,785,918	-4,141,177	-3,026,191	-6%
Total Health Insurance							841,365,196	-831,658,653	-31,023,009	-21,316,466	-2.5%
Life Insurance Gain										0	
Interest Income										1,067,051	
Total Gain (Loss)										-20,249,416	-2.4%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										76,326,984	
Change In Surplus										-20,249,416	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										56,077,568	
Active Employee Premium Summary											
Employer Contributions							553,679,200				
Employee Contributions							38,305,838				
COBRA Premiums							3,827,950				
Total Active Employee Premium							595,812,989				

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

FY24 PROJECTED PLAN EXPERIENCE
Based on the Implementation of the CVS Caremark Value Formulary on 7/1/22
Based on Rate Increases of 6% on 1/1/23 and 7% on 1/1/24

CLASS	Active/ Retired	Avg Count 07/01/23 06/30/24	Prem Rate* 07/01/23	Rate Incr 07/01/23	Prem Rate* 01/01/24	Rate Incr 01/01/24	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
Employee	Active	109,396	\$457	0.0%	\$488	6.8%	635,191,533	-575,001,342	-21,050,374	39,139,817	6%
Spouse Only	Active	3,868	\$544	0.0%	\$582	7.0%	25,604,825	-32,462,704	-848,549	-7,706,427	-30%
Full Family	Active	5,613	\$794	0.0%	\$850	7.1%	54,602,655	-59,616,408	-1,809,543	-6,823,296	-12%
Children Only	Act/Ret	8,692	\$383	0.0%	\$410	7.0%	40,168,770	-43,507,078	-1,331,201	-4,669,509	-12%
Child Only	Act/Ret	10,905	\$191	0.0%	\$204	6.8%	24,341,994	-29,245,068	-806,699	-5,709,772	-23%
Disabled Employee	Retired	100	\$525	0.0%	\$561	6.9%	648,111	-3,012,942	-23,517	-2,388,348	-369%
Employee	Retired	7,708	\$525	0.0%	\$561	6.9%	50,185,371	-65,418,878	-1,562,903	-16,796,410	-33%
Spouse Only	Retired	978	\$626	0.0%	\$669	6.9%	7,589,793	-7,779,366	-185,855	-375,427	-5%
Full Family	Retired	235	\$913	0.0%	\$977	7.0%	2,663,804	-2,433,907	-58,148	171,748	6%
Family (1 On Medicare)	Retired	64	\$404	0.0%	\$432	6.9%	319,224	-573,765	-13,708	-268,248	-84%
Spouse Only (Medicare)	Retired	2,840	\$213	0.0%	\$228	7.0%	7,513,793	-7,095,286	-579,747	-161,240	-2%
Employee (Medicare)	Retired	18,053	\$213	0.0%	\$228	7.0%	47,772,258	-45,227,678	-3,685,999	-1,141,419	-2%
Total Health Insurance							896,602,130	-871,374,419	-31,956,243	-6,728,532	-0.8%
RECAP BY SUBGROUP											
Active Employees							635,191,533	-575,001,342	-21,050,374	39,139,817	6%
Dependents Of Active Employees							144,718,244	-164,831,257	-4,795,992	-24,909,004	-17%
Disabled Retirees (Regular)							648,111	-3,012,942	-23,517	-2,388,348	-369%
Retirees & Dependents (Regular)							60,758,192	-76,205,916	-1,820,613	-17,268,338	-28%
Retirees & Spouse Only (Medicare)							55,286,051	-52,322,963	-4,265,746	-1,302,659	-2%
Total Health Insurance							896,602,130	-871,374,419	-31,956,243	-6,728,532	-0.8%
Life Insurance Gain										0	
Interest Income										951,982	
Total Gain (Loss)										-5,776,550	-0.6%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										56,077,568	
Change In Surplus										-5,776,550	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										50,301,018	
Active Employee Premium Summary											
Employer Contributions							590,189,182				
Employee Contributions							40,923,513				
COBRA Premiums							4,078,837				
Total Active Employee Premium							635,191,533				

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

CY23 PROJECTED PLAN EXPERIENCE
Based on the Implementation of the CVS Caremark Value Formulary on 7/1/22
Based on Rate Increases of 6% on 1/1/23 and 7% on 1/1/24

CLASS	Active/ Retired	Avg Count 01/01/23 12/31/23	Prem Rate* 01/01/23	Rate Incr 01/01/23	Prem Rate* 07/01/23	Rate Incr 07/01/23	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
Employee	Active	109,396	\$457	5.8%	\$457	0.0%	613,592,338	-562,093,293	-20,739,652	30,759,392	5%
Spouse Only	Active	3,868	\$544	6.0%	\$544	0.0%	24,748,338	-31,756,118	-836,503	-7,844,284	-32%
Full Family	Active	5,613	\$794	6.0%	\$794	0.0%	52,751,874	-58,257,005	-1,783,033	-7,288,164	-14%
Children Only	Act/Ret	8,692	\$383	6.1%	\$383	0.0%	38,818,223	-42,589,363	-1,312,071	-5,083,210	-13%
Child Only	Act/Ret	10,905	\$191	6.1%	\$191	0.0%	23,553,575	-28,657,485	-796,120	-5,900,030	-25%
Disabled Employee	Retired	100	\$525	5.8%	\$525	0.0%	627,375	-2,930,094	-23,183	-2,325,902	-371%
Employee	Retired	7,708	\$525	5.8%	\$525	0.0%	48,560,925	-63,938,550	-1,540,601	-16,918,226	-35%
Spouse Only	Retired	978	\$626	6.1%	\$626	0.0%	7,343,919	-7,592,155	-182,933	-431,170	-6%
Full Family	Retired	235	\$913	5.9%	\$913	0.0%	2,574,204	-2,379,677	-57,338	137,188	5%
Family (1 On Medicare)	Retired	64	\$404	6.0%	\$404	0.0%	309,060	-563,156	-13,569	-267,665	-87%
Spouse Only (Medicare)	Retired	2,840	\$213	6.0%	\$213	0.0%	7,259,573	-6,978,056	-571,318	-289,802	-4%
Employee (Medicare)	Retired	18,053	\$213	6.0%	\$213	0.0%	46,144,001	-44,510,271	-3,631,469	-1,997,739	-4%
Total Health Insurance							866,283,404	-852,245,224	-31,487,791	-17,449,611	-2.0%
RECAP BY SUBGROUP											
Active Employees							613,592,338	-562,093,293	-20,739,652	30,759,392	5%
Dependents Of Active Employees							139,872,010	-161,259,972	-4,727,727	-26,115,688	-19%
Disabled Retirees (Regular)							627,375	-2,930,094	-23,183	-2,325,902	-371%
Retirees & Dependents (Regular)							58,788,108	-74,473,538	-1,794,442	-17,479,872	-30%
Retirees & Spouse Only (Medicare)							53,403,573	-51,488,328	-4,202,787	-2,287,542	-4%
Total Health Insurance							866,283,404	-852,245,224	-31,487,791	-17,449,611	-2.0%
Life Insurance Gain										0	
Interest Income										998,144	
Total Gain (Loss)										-16,451,467	-1.9%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										31,140,464	
Change In Surplus										-16,451,467	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										14,688,997	
Active Employee Premium Summary											
Employer Contributions							570,046,188				
Employee Contributions							39,590,414				
COBRA Premiums							3,955,736				
Total Active Employee Premium							613,592,338				

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

CY24 PROJECTED PLAN EXPERIENCE
Based on the Implementation of the CVS Caremark Value Formulary on 7/1/22
Based on Rate Increases of 6% on 1/1/23 and 7% on 1/1/24

CLASS	Active/ Retired	Avg Count 01/01/24 12/31/24	Prem Rate* 01/01/24	Rate Incr 01/01/24	Prem Rate* 07/01/24	Rate Incr 07/01/24	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
Employee	Active	109,396	\$488	6.8%	\$488	0.0%	657,018,036	-589,931,992	-21,365,201	45,720,844	7%
Spouse Only	Active	3,868	\$582	7.0%	\$582	0.0%	26,461,254	-33,260,205	-860,479	-7,659,430	-29%
Full Family	Active	5,613	\$850	7.1%	\$850	0.0%	56,449,934	-61,200,674	-1,835,664	-6,586,404	-12%
Children Only	Act/Ret	8,692	\$410	7.0%	\$410	0.0%	41,519,915	-44,542,803	-1,350,163	-4,373,050	-11%
Child Only	Act/Ret	10,905	\$204	6.8%	\$204	0.0%	25,132,486	-29,928,396	-817,269	-5,613,179	-22%
Disabled Employee	Retired	100	\$561	6.9%	\$561	0.0%	670,395	-3,104,948	-23,876	-2,458,429	-367%
Employee	Retired	7,708	\$561	6.9%	\$561	0.0%	51,890,817	-67,225,549	-1,586,728	-16,921,459	-33%
Spouse Only	Retired	978	\$669	6.9%	\$669	0.0%	7,848,374	-7,981,053	-188,377	-321,056	-4%
Full Family	Retired	235	\$977	7.0%	\$977	0.0%	2,754,652	-2,505,838	-59,145	189,668	7%
Family (1 On Medicare)	Retired	64	\$432	6.9%	\$432	0.0%	330,480	-586,351	-13,840	-269,710	-82%
Spouse Only (Medicare)	Retired	2,840	\$228	7.0%	\$228	0.0%	7,770,810	-7,191,167	-588,399	-8,756	0%
Employee (Medicare)	Retired	18,053	\$228	7.0%	\$228	0.0%	49,393,578	-45,856,006	-3,740,038	-202,466	0%
Total Health Insurance							927,240,730	-893,314,982	-32,429,178	1,496,570	0%
RECAP BY SUBGROUP											
Active Employees							657,018,036	-589,931,992	-21,365,201	45,720,844	7%
Dependents Of Active Employees							149,563,589	-168,932,078	-4,863,574	-24,232,064	-16%
Disabled Retirees (Regular)							670,395	-3,104,948	-23,876	-2,458,429	-367%
Retirees & Dependents (Regular)							62,824,322	-78,298,790	-1,848,090	-17,322,559	-28%
Retirees & Spouse Only (Medicare)							57,164,388	-53,047,173	-4,328,437	-211,222	0%
Total Health Insurance							927,240,730	-893,314,982	-32,429,178	1,496,570	0.2%
Life Insurance Gain										0	
Interest Income										940,633	
Total Gain (Loss)										2,437,203	0.3%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										14,688,997	
Change In Surplus										2,437,203	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										17,126,199	
Active Employee Premium Summary											
Employer Contributions							610,484,247				
Employee Contributions							42,298,078				
COBRA Premiums							4,235,711				
Total Active Employee Premium							657,018,036				

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

PLAN PROJECTIONS (Continued)

Premium Deficiency Reserves

Current rates are expected to be deficient for the remainder of CY22, with a significant amount of CY22 costs expected to be paid from previously accumulated Plan surplus. Projected CY23 rates are also projected to be deficient, with projected CY24 rates expected to be essentially breakeven. To that extent, it might be appropriate for the Plan to recognize, on its internal financial statements, a reserve to reflect the premium deficiency resulting from CY22 and CY23 rates.

Projected Premium Deficiency Reserves (in Millions) Based on Current Projections

Mo	Yr	Assets less Liabilities	Premium Deficiency Reserve			Surplus After PD Reserve
			CY22 Rates	CY23 Rates	Total	
6	22	\$76.3	\$45.2	\$16.5	\$61.6	\$14.7
7	22	\$70.1	\$39.0	\$16.5	\$55.4	\$14.7
8	22	\$62.5	\$31.4	\$16.5	\$47.9	\$14.7
9	22	\$59.0	\$27.9	\$16.5	\$44.4	\$14.7
10	22	\$54.2	\$23.1	\$16.5	\$39.5	\$14.7
11	22	\$47.0	\$15.9	\$16.5	\$32.3	\$14.7
12	22	\$31.1	\$0.0	\$16.5	\$16.5	\$14.7
1	23	\$41.6	\$0.0	\$26.9	\$26.9	\$14.7
2	23	\$53.3	\$0.0	\$38.6	\$38.6	\$14.7
3	23	\$55.9	\$0.0	\$41.2	\$41.2	\$14.7
4	23	\$61.4	\$0.0	\$46.8	\$46.8	\$14.7
5	23	\$61.5	\$0.0	\$46.8	\$46.8	\$14.7
6	23	\$56.1	\$0.0	\$41.4	\$41.4	\$14.7
7	23	\$50.6	\$0.0	\$35.9	\$35.9	\$14.7
8	23	\$43.6	\$0.0	\$29.0	\$29.0	\$14.7
9	23	\$40.9	\$0.0	\$26.2	\$26.2	\$14.7
10	23	\$36.8	\$0.0	\$22.1	\$22.1	\$14.7
11	23	\$30.3	\$0.0	\$15.6	\$15.6	\$14.7
12	23	\$14.7	\$0.0	\$0.0	\$0.0	\$14.7

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 1/1/06 (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 1/1/06.

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 FY22 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 (“OPEB”) provided through the State and School Employees’ Life and Health Insurance Plan. The most recent valuation prepared by Cavanaugh Macdonald was as of 6/30/21.

Although there are 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 FY22 with a Plan surplus of about \$76 million. Based on results contained in the “GASB Statement No. 74 Report for the Mississippi State and School Employees’ Life and Health Insurance Plan Prepared As of June 30, 2021” by Cavanaugh Macdonald, the State’s Total OPEB liability associated with retiree benefits provided through the State and School Employees’ Life and Health Insurance Plan were about \$645 million as of 6/30/21.

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 GASB Statement No. 74 Report that has been submitted to the Health Insurance Management Board by Cavanaugh Macdonald.

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 after Benefit Changes

The trend rates shown below are based on an underlying pre-benefit change trend rate of 3% for both non-Medicare members and Medicare members.

	CY22	CY23	CY24
Medical Trend, Non-Medicare	3.00%	3.00%	3.00%
Adjustment for Benefit Changes	-1.19%		
Net Medical Trend, Non-Medicare	1.81%	3.00%	3.00%
Medical Trend, Medicare Classes	3.00%	3.00%	3.00%

Drug Benefit Trend

Prior to any Plan or benefit changes, the basic annual trend assumption for the remainder of CY22 thru CY24 for drug benefits, net of rebates, was 10%. However, the Plan implemented the CVS Caremark Value Formulary as of 7/1/22.

Prior to any pricing adjustment related to a performance guarantee, drug benefit costs, net of rebates, were assumed to increase by 0.5% in FY23 and 10% annually thereafter. No attempt was made to develop separate pre-rebate and rebate assumptions.

The Plan received a performance guarantee payment related to drug pricing of \$6.2 million in CY21 and the performance guarantee payment for FY22, if it were to have been accrued and allocated on a fiscal year basis for FY22, is estimated to have been approximately \$6.7 million.

No specific assumption in the projections was made for the receipt in future years of a performance guarantee payment related to pricing. This approach results in an adjusted drug net benefit trend assumption for FY23 of 3.8%, as illustrated in the following table.

	FY22 Costs	FY23 Costs	FY23 Increase
Drug Costs, Prior to Pricing Guarantee	\$341.7	\$343.4	0.5%
less Pricing Guarantee	(\$6.7)		
Drug Costs, Net of Pricing Guarantee	\$335.0	\$343.4	2.5%
less Drug Rebates	(\$131.8)	(\$132.5)	0.5%
Drug Costs, Net of Rebates	\$203.2	\$210.9	3.8%

In Millions

In summary, net drug claims are projected to increase by 3.8% in FY23 and by 10% per year for the remainder of the projection period.

Net Cash Flow from Life Insurance

In the projections included in this Report, life insurance coverage was not assumed to produce any significant annual profits or loss throughout the projection period.

ASSUMPTIONS (Continued)

Administrative Expenses

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

CY22	\$18.83
CY23	\$19.40
CY24	\$19.98

FY23 health insurance expenses are projected to be approximately 3.7% of projected FY23 premium.

Interest

Interest income was assumed to be earned and received at an annual rate of 0.75% and was based on the sum of the prior month's cash assets and one-half of the net cash flow for the month.

Enrollment

No enrollment growth assumptions were included in the projections included in this Report.

The assumed proportion of active employees that are Horizon employees versus Legacy employees is as follows:

	Legacy	Horizon
CY22 2H	35.1%	64.9%
CY23 1H	33.8%	66.2%
CY23 2H	32.6%	67.4%
CY24 1H	31.3%	68.7%
CY24 2H	30.0%	70.0%

The proportion of active employees selecting Base coverage is assumed to be 21.5% for Horizon employees and 6.2% for Legacy employees.

SIGNIFICANT HISTORICAL BENEFIT CHANGES

CY20 Plan Changes

Drug Copays for Generic Drugs – Beginning 1/1/20, there are 2 tiers of copays applicable to generic drugs. Tier 1 generic drugs are subject to a \$12 copay. Tier 1 generally applies to generic drugs which have an ingredient cost for a 1-month supply of less than \$20. Tier 2 generic drugs are subject to a \$30 copay. This Plan change is expected to reduce Plan costs in CY20 by about \$4.4 million. (NOTE: Under special Plan rules, the Tier 1 generic copay also generally applies to preferred brand drugs for insulin and other diabetic supplies.)

CY19 Plan Changes

Telemedicine Benefit Applicable to Behavioral Health Services – Behavioral health services are now available via telemedicine at the regular Plan benefits subject to the applicable deductibles and coinsurance.

Modifications to Wellness/Preventive Benefits – Effective January 1, 2019, coverage for vitamin D as a wellness/preventive benefit was removed. The vaccine benefits language was also revised to include coverage of the appropriate shingles vaccination beginning at age 50 or above.

Modified Coverage for Non-surgical Treatment of Obesity – The Weight Management Program participation mandate for bariatric surgery has been modified and the obesity treatment exclusion was removed and modified to provide for limited weight management coverage under wellness/preventive benefits for services by providers participating in the Plan's obesity treatment network.

Cognitive Therapy – Coverage for cognitive therapy was removed as a listed Plan exclusion.

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.

SIGNIFICANT HISTORICAL BENEFIT CHANGES (Continued)

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).

CY17 BASE COVERAGE						
	Combined Deductible*	Medical Coinsurance	Medical Coinsurance Maximum	Drug Copays	Combined Out-of- Pocket <u>Limit</u>	
<u>Self Only Coverage</u>						
In Network	\$1,800	20%	\$2,500	\$12/\$45/\$70	\$6,500	
Out-of-Network	\$1,800	40%	\$3,500	\$12/\$45/\$70		
<u>Family Coverage</u>					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.						

CY17 SELECT COVERAGE						
	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.						

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.

SIGNIFICANT HISTORICAL BENEFIT CHANGES (Continued)

CY17 Plan Changes (Continued)

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.

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.

CY16 Plan Changes

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.

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.

SIGNIFICANT HISTORICAL BENEFIT CHANGES (Continued)

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.

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), with no member cost sharing. There are generally some changes in those services each year. For example, during CY16, the Plan began providing 100% coverage 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 4th 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 4th 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 4th 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	\$0.435		\$0.435	\$0.423		\$0.423
2019	\$0.000		\$0.000	\$0.435		\$0.435
Total	\$2.524	\$22.550	\$25.074	\$2.524	\$22.550	\$25.074

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