

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	\$30.1	7%	\$10.7	1%	\$40.8	5%

Wellness benefits incurred in CY22 are not yet complete. Following is a comparison of the adult and child wellness benefits incurred in the 1st nine months of CY18 thru CY22 that were paid by the end of each respective calendar year.

	Wellness Benefits Incurred (January thru September)							
	Incurred Mos 1-9	Paid By	Adults	Percent Change	Children	Percent Change	Total	Percent Change
CY18	12/31/18		\$21,143,933		\$7,436,863		\$28,580,795	
CY19	12/31/19		\$22,740,297	8%	\$7,890,740	6%	\$30,631,038	7%
CY20	12/31/20		\$19,188,027	-16%	\$7,866,531	0%	\$27,054,558	-12%
CY21	12/31/21		\$21,176,938	-7%	\$7,994,434	1%	\$29,171,372	-5%
CY22	12/31/22		\$23,089,645	20%	\$8,002,472	2%	\$31,092,117	15%

HEALTH INSURANCE EXPERIENCE (Continued)

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

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

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

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

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

Actions taken in response to COVID-19 significantly reduced medical (non-drug) claims costs during the spring of 2020. As delayed services were subsequently provided, and direct costs associated with COVID-19 were incurred, claims costs increased. All of these effects influenced the trend rates in CY20, CY21, and CY22.

Benefit changes were implemented in CY21 and CY22 that were projected to reduce non-drug benefits by about \$15.6 million in CY21 and another \$7.0 million in CY22. If those changes had not been made – and using those savings assumptions – the claims in CY22 would have been about \$22.6 million higher, and the claims costs per member would have been about \$278.66 in CY22. Compared to the claims rate of \$262.95 that was experienced 3 years ago in CY19 (the last complete year prior to the COVID-19 pandemic), a claims rate of \$278.66 in CY22 is consistent with a trend rate of 2% per year for 3 years.

Growth in Incurred Claims per Member - NON DRUG

	Plan Primary			Medicare Primary		
	Percent Complete	PMPM	Annual Trend	Percent Complete	PMPM	Annual Trend
CY10	100.0%	\$264.95	4.5%	100.0%	\$150.02	2.0%
CY11	100.0%	\$249.12	-6.0%	100.0%	\$147.50	-1.7%
CY12	100.0%	\$256.90	3.1%	100.0%	\$147.48	0.0%
CY13	100.0%	\$268.11	4.4%	100.0%	\$151.69	2.8%
CY14	100.0%	\$239.34	-10.7%	100.0%	\$146.18	-3.6%
CY15	100.0%	\$239.80	0.2%	100.0%	\$151.13	3.4%
CY16	100.0%	\$253.39	5.7%	100.0%	\$152.43	0.9%
CY17	100.0%	\$252.60	-0.3%	100.0%	\$159.72	4.8%
CY18	100.0%	\$254.94	0.9%	100.0%	\$161.98	1.4%
CY19	100.0%	\$262.95	3.1%	100.0%	\$168.37	3.9%
CY20	99.9%	\$259.13	-1.5%	100.0%	\$160.94	-4.4%
CY21	99.8%	\$274.76	6.0%	100.0%	\$185.82	15.5%
CY22*	86.2%	\$267.63	-2.6%	89.4%	\$197.88	6.5%

* Based on estimates of outstanding claims.

HEALTH INSURANCE EXPERIENCE (Continued)

CVS Caremark / Value Formulary

The Plan changed pharmacy benefit managers on 1/1/21 to CVS Caremark from Prime Therapeutics. The Plan changed to the CVS Caremark Value Formulary on 7/1/22.

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:	2010	2014	2018	2020	07/01/22
	2013	2017	2019	06/30/22	
DEDUCTIBLE	\$75	\$75	\$75	\$75	\$75
COPAYS					
Generic (Tier 1)	\$12	\$12	\$12	\$12	\$12
Generic (Tier 2)				\$30	*
Preferred	\$40	\$45	\$45	\$45	\$45
Non Preferred	\$65	\$70	\$100	\$100	*
Specialty	\$65	\$70	\$100	\$100	\$100

* *Not applicable under the Value Formulary.*

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 Cost Trends for the Last 10 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	\$50.45			
CY13	\$71.02	\$4.75	\$66.26	15.5%	-0.9%	31.3%
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 ⁽¹⁾	\$145.81	\$55.55	\$90.25	17.0%	56.0%	1.4%
CY22 ⁽²⁾	\$165.87	\$65.16	\$100.71	13.8%	17.3%	11.6%

(1) Costs in CY21 are net of performance guarantees related to pricing.

(2) Costs in CY22 are net of estimated rebates & performance guarantees related to pricing.

HEALTH INSURANCE EXPERIENCE (Continued)

Drug Claims Incurred in CY22

Gross Drug Claims – 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 payments received by the Plan for performance guarantees related to drug pricing – gross drug claims incurred increased from \$309 million in CY21 to \$345 million in CY22, an increase of about 11.6%.

Drug Claim Rebates – The Plan receives quarterly rebate payments in conjunction with contracts in place between CVS Caremark and various drug manufacturers. Excluding rebate payments from BCBS associated with medical claims, and based on current estimates of rebates receivable, rebates incurred are estimated to have increased from \$115.3 million in CY21 to \$133.5 million in CY22, an increase of about 15.8%.

Performance Guarantee Payments – 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 for CY21 and expects to receive a payment in a few weeks of about \$4.9 million related to the guarantee for CY22.

Net Drug Claims Incurred in CY22 – After estimated incurred rebates and net of the performance guarantee payments, net drug claims increased from \$187.3 million in CY21 to \$206.46 million in CY22, an increase of 10.2%, (On a PMPM basis, this represented an increase of about 11.6%.)

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. Semi-annual results for CY21 and CY22 are shown in the table below to show the effect on cost increases following this change.

Prior to the switch to the Value formulary, net drug costs in the first half of CY22 increased by 18.9% versus the first half of CY21. After the switch to the Value Formulary, net drug costs in the 2nd half of CY22 increased by just 2.6% versus the 2nd half of CY21. (On a PMPM basis, this represented an increase of about 4.0% in the 2nd half of CY22.)

Implementation on 7/1/22 of the Value Formulary Effect on Semi-Annual Drug Benefit Costs Incurred in CY22 vs CY21 in Millions

	Gross Costs*	Drug Rebates	Net Costs*	Year over Year Increase		
				Gross Costs*	Drug Rebates	Net Costs*
C21 1H	\$140.9	(\$54.1)	\$86.8			
C21 2H	\$161.8	(\$61.2)	\$100.6			
C21 Total	\$302.7	(\$115.3)	\$187.4			
C22 1H	\$173.0	(\$69.8)	\$103.2	22.8%	29.2%	18.9%
C22 2H ⁽¹⁾	\$166.9	(\$63.7)	\$103.2	3.2%	4.0%	2.6%
C22 Total	\$339.9	(\$133.5)	\$206.4	12.3%	15.8%	10.2%

* Net of actual CY21 and 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					
	CY18	CY19	CY20	CY21	CY22*
Monthly Cost					
Employee	\$347	\$367	\$376	\$402	\$402
Spouse Only	\$682	\$658	\$646	\$626	\$637
Full Family	\$807	\$757	\$768	\$820	\$826
Children Only	\$318	\$382	\$359	\$383	\$405
Child Only	\$209	\$203	\$211	\$214	\$215
Disabled Retiree	\$3,310	\$3,043	\$3,203	\$2,331	\$2,760
Early Retiree	\$658	\$685	\$657	\$650	\$686
Retiree Spouse (Non-Medicare)	\$759	\$663	\$629	\$563	\$669
Retiree/Spouse Combined (Medicare)	\$164	\$170	\$162	\$187	\$199
Annual Rate of Increase					
Employee	2%	6%	2%	7%	0%
Spouse Only	-5%	-3%	-2%	-3%	2%
Full Family	7%	-6%	1%	7%	1%
Children Only	-1%	20%	-6%	7%	6%
Child Only	5%	-3%	4%	1%	1%
Disabled Retiree	20%	-8%	5%	-27%	18%
Early Retiree	3%	4%	-4%	-1%	5%
Retiree Spouse (Non-Medicare)	33%	-13%	-5%	-11%	19%
Retiree/Spouse Combined (Medicare)	2%	4%	-5%	15%	6%
Ratio to Employee Cost					
Employee	1.00	1.00	1.00	1.00	1.00
Spouse Only	1.96	1.79	1.72	1.56	1.58
Full Family	2.32	2.06	2.04	2.04	2.05
Children Only	0.92	1.04	0.95	0.95	1.01
Child Only	0.60	0.55	0.56	0.53	0.53
Disabled Retiree	9.53	8.29	8.52	5.80	6.86
Early Retiree	1.89	1.87	1.75	1.62	1.70
Retiree Spouse (Non-Medicare)	2.19	1.80	1.67	1.40	1.66
Retiree/Spouse Combined (Medicare)	0.47	0.46	0.43	0.47	0.49
* Based on estimates of outstanding claims as of 12/31/22.					

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 CY22 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.

CY22 Plan Subsidy Costs				
	<u>Premiums</u>	<u>Claims</u>	<u>Expenses less Other Income</u>	<u>Gain (Loss)</u>
Active Dependents	\$128,823,615	(\$149,416,468)	(\$4,440,900)	(\$25,033,753)
COBRA Employees	4,380,100	(12,802,201)	(140,388)	(\$8,562,489)
Disabled Retirees - Plan Primary	652,257	(3,199,049)	(21,435)	(\$2,568,227)
Retirees - Plan Primary	53,818,287	(71,966,321)	(647,550)	(\$18,795,584)
Retirees - Medicare Primary	53,279,837	(53,649,943)	(4,058,980)	(\$4,429,086)
Disabled Retirees - Life Insurance	-	(151,793)	-	(151,793)
Subtotal - Subsidized Classes	<u>\$240,954,096</u>	<u>(\$291,185,775)</u>	<u>(\$9,309,253)</u>	<u>(\$59,540,932)</u>
Active Employees	\$569,847,067	(\$510,616,697)	(\$18,539,723)	\$40,690,648
Total Plan	\$810,801,163	(\$801,802,471)	(\$27,848,975)	(\$18,850,284)

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 CY22 an average of 28,150 active employees (or 26.1% of active employees) covered one or more of their dependents. The State incurred an average monthly subsidy cost of \$74.11 for each of those active employees. Similarly, the State incurred an average monthly subsidy cost of \$205.79 for each early retiree who was not disabled.

CY22 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	28,150	\$25,033,753	\$74.11
COBRA Employees	629	\$8,562,489	\$1,133.88
Disabled Retiree - Plan Primary	96	\$2,568,227	\$2,227.43
Retirees - Plan Primary	7,611	\$18,795,584	\$205.79
Retirees - Medicare Primary	18,194	\$4,429,086	\$20.29

HEALTH INSURANCE EXPERIENCE (Continued)

Retiree & Dependent Rate Subsidies (Continued)

The table that follows shows the CY22 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 \$45.96 in CY22.

Effect of Plan Subsidy Costs on Active Employee Premium Rate		
	CY22	
	Annual Costs	Monthly Cost per Active Employee
Total Active Employee Costs	\$529,156,419	\$408.44
Subsidy Costs for:		
COBRA Employees	8,562,489	6.61
Dependents of Active Employees	25,033,753	19.32
Disabled Retirees - Plan Primary	2,568,227	1.98
Retirees - Plan Primary	18,795,584	14.51
Retirees - Medicare Primary	4,429,086	3.42
Disabled Retirees - Life Insurance	151,793	0.12
Subtotal - Subsidy Costs	\$59,540,932	\$45.96
Total Current Year's Costs	\$588,697,351	\$454.40
less Current Costs Funded by Prior Year's Premium	(18,850,284)	(14.55)
Total Active Employee Premium Current Year	\$569,847,067	\$439.85

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			
* 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.						

CY21 BASE COVERAGE						
	Combined Deductible*	Medical Coinsurance	Medical Coinsurance Maximum	Drug Copays	Combined Out-of- Pocket Limit	
					Per Family	Each Person
<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>						
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 was 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			
* 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.						

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 2023

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
2009-2010	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
2023	6%	January 1, 2023

As of 1/1/23, the above rate increase history is equivalent to a compound annual rate of:

- 3.7% for the last 20 years
- 2.0% for the last 10 years
- 4.0% for the last 5 years

Dependent and Retiree Rate Increases

Rate increases for the last 13 years for dependents and retirees are illustrated in the Table below:

Average Dependent & Retiree Rate Increases									
	2011	2012	2016	2017	2019	2020	2021	2022	2023
Dependents of Active Employees	15%	0%	0%	0%	3%	3%	3%	6%	6%
Non-Medicare Retirees	4%	0%	0%	0%	3%	3%	3%	6%	6%
Dependents of Retired Employees	15%	0%	0%	0%	3%	3%	3%	6%	6%
Medicare Retirees	15%	2%	-5%	2%	2%	2%	2%	2.5%	6%

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.

Drug Benefit Trend

Prior to any Plan or benefit changes, the basic annual trend assumption for CY23 thru CY25 for drug benefits, net of rebates, was 10%. However, the Plan implemented the CVS Caremark Value Formulary as of 7/1/22, and trend rates are expected to be lower for the 1st half of CY23 versus the 1st half of CY22 as a result of this change. A 5% assumption was used for the 1st half of CY23 and a 10% assumption for the 2nd half of CY23. The same trend assumption was made for drug benefits before rebates, rebates, and drug benefits after rebates. These assumptions produce an increase in net drug claims in CY23 of about 7.5%, followed by increases in CY24 and CY25 of about 10%.

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 2/22/23 meeting of the Health Insurance Management Board, preliminary projections were provided under 2 alternative rate increase scenarios, and the Board voted to adopt the rate increase assumptions used with the "Scenario 1" projections presented at that meeting.

The projections appearing in this Report are consistent in most material respects with the Scenario 1 projections presented at the February 22 Board meeting. The projections in this Report assume current benefits and assume rate increases of 5% on 1/1/24 and 5% on 1/1/25.

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

Under the assumptions and rate increases used in these projections, the Plan is expected to experience close to break-even results in each of CY23, CY24, and CY25, and Plan surplus is expected to meet the Plan's revised stated funding objective throughout the projection period.

SUMMARY PROJECTIONS (in Millions)

Assumes Current Benefits and Rate Increases of 5% on 1/1/24 and 5% on 1/1/25

	Health Premium	Health Claims	Health Expense	Life Ins Interest & ACA Fees	Total Gain (Loss)	Gain as a % of Premium	ARPA Payment	Year End Projected Surplus	Prior Surplus Objective	Revised Surplus Objective	Change in Surplus
CY17	\$723	(\$717)	(\$37)	\$5.7	(\$25)	-3.4%		\$229	\$32		(\$25)
CY18	\$722	(\$733)	(\$35)	\$6.5	(\$40)	-5.5%		\$189	\$33		(\$40)
CY19	\$747	(\$766)	(\$33)	\$7.1	(\$45)	-6.0%		\$145	\$34		(\$44)
CY20	\$768	(\$768)	(\$33)	\$1.8	(\$31)	-4.1%		\$113	\$34		(\$31)
CY21	\$777	(\$802)	(\$30)	\$1.2	(\$53)	-6.8%		\$61	\$35		(\$53)
CY22	\$811	(\$802)	(\$29)	\$1.5	(\$19)	-2.3%	\$60	\$102	\$35		\$41
CY23	\$860	(\$835)	(\$31)	\$2.0	(\$4)	-0.5%		\$98	\$37	\$74	(\$4)
CY24	\$903	(\$876)	(\$31)	\$1.9	(\$2)	-0.3%		\$95	\$39	\$77	(\$2)
CY25	\$948	(\$919)	(\$32)	\$1.8	(\$2)	-0.2%		\$93	\$41	\$81	(\$2)

TREND ASSUMPTIONS, NON-MEDICARE

	Medical	Drugs*	Total
CY23	3.0%	7.5%	4.2%
CY24	3.0%	10.0%	4.9%
CY25	3.0%	10.0%	5.0%

RATE INCREASE ASSUMPTIONS

	Plan Primary	Medicare Primary
01/01/24	5.0%	5.0%
01/01/25	5.0%	5.0%

* Net of drug rebates

Premium Deficiency Reserves

Under the assumptions and rate increases used in current Plan projections, the Plan is expected to experience close to break-even results in each of CY23, CY24, and CY25. Therefore, no premium deficiency reserves are currently applicable.

PROJECTED ASSETS, LIABILITIES, & FUNDING STATUS

Based on Rate Increases of 5% on 1/1/24 and 5% on 1/1/25

Mo	Yr	Total Plan Assets	Total Plan Liabilities	Assets less Liabilities
12	22	193,046,059	91,338,550	101,707,509
1	23	181,647,422	70,902,996	110,744,426
2	23	176,694,847	55,603,835	121,091,012
3	23	205,614,330	82,363,194	123,251,136
4	23	197,450,059	70,139,571	127,310,488
5	23	187,247,049	56,708,401	130,538,648
6	23	208,830,354	83,799,155	125,031,198
7	23	198,537,125	70,492,077	128,045,048
8	23	185,542,001	59,983,170	125,558,832
9	23	212,158,613	85,937,398	126,221,215
10	23	198,954,300	77,353,167	121,601,133
11	23	181,290,645	69,663,885	111,626,761
12	23	193,386,731	95,668,086	97,718,645
1	24	181,141,795	73,790,920	107,350,875
2	24	175,662,244	57,366,160	118,296,084
3	24	201,366,951	80,752,161	120,614,790
4	24	192,345,671	67,381,468	124,964,203
5	24	181,041,451	52,670,427	128,371,025
6	24	204,825,931	82,083,088	122,742,843
7	24	193,749,888	67,666,240	126,083,649
8	24	179,599,182	56,004,324	123,594,859
9	24	209,021,847	84,622,495	124,399,351
10	24	194,703,290	74,965,848	119,737,442
11	24	175,759,029	66,223,758	109,535,272
12	24	189,768,205	94,536,267	95,231,938
1	25	176,568,747	71,150,465	105,418,282
2	25	170,313,400	53,396,767	116,916,633
3	25	198,345,955	79,027,724	119,318,231
4	25	188,210,705	64,314,846	123,895,859
5	25	175,572,257	48,164,870	127,407,387
6	25	201,704,807	80,133,086	121,571,721
7	25	189,656,771	64,473,046	125,183,725
8	25	174,143,914	51,533,738	122,610,176
9	25	206,565,468	83,081,591	123,483,878
10	25	190,934,235	72,235,136	118,699,099
11	25	170,492,460	62,312,566	108,179,894
12	25	186,532,185	93,150,125	93,382,060

PROJECTED PLAN LIABILITIES

Based on Rate Increases of 5% on 1/1/24 and 5% on 1/1/25

Mo	Yr	Health Claims Incurred But Not Reported	BCBS Drug Rebates Due	CVS Caremark Drug Pricing Adjustment	PBM Drug Rebates Receivable	Health Claims Payable	Life Claims Incurred But Not Reported	Life Claims Payable	Advance less Due Premium	PCORI Fees Accrued & Payable	Expenses Payable
12	22	89,768,347	-1,676,493	-4,916,869	-33,194,693	21,693,888	231,733	1,478,805	13,078,257	1,997,026	2,878,550
1	23	80,430,761	0	-4,916,869	-44,557,380	21,693,888	231,733	1,478,805	13,078,257	585,251	2,878,550
2	23	76,055,339	0	-4,916,869	-55,528,415	21,693,888	231,733	1,478,805	13,078,257	632,547	2,878,550
3	23	77,236,569	0	0	-34,914,450	21,693,888	231,733	1,478,805	13,078,257	679,842	2,878,550
4	23	77,186,464	0	0	-47,135,263	21,693,888	231,733	1,478,805	13,078,257	727,137	2,878,550
5	23	76,623,726	0	0	-60,050,990	21,693,888	231,733	1,478,805	13,078,257	774,433	2,878,550
6	23	81,954,705	0	0	-38,338,510	21,693,888	231,733	1,478,805	13,078,257	821,728	2,878,550
7	23	79,716,643	0	0	-48,916,866	21,693,888	231,733	1,478,805	13,078,257	331,067	2,878,550
8	23	81,122,969	0	0	-60,879,395	21,693,888	231,733	1,478,805	13,078,257	378,362	2,878,550
9	23	80,213,890	0	0	-34,063,383	21,693,888	231,733	1,478,805	13,078,257	425,658	2,878,550
10	23	83,283,822	0	0	-45,764,841	21,693,888	231,733	1,478,805	13,078,257	472,953	2,878,550
11	23	87,457,028	0	0	-57,674,625	21,693,888	231,733	1,478,805	13,078,257	520,248	2,878,550
12	23	91,650,282	0	0	-35,910,972	21,693,888	231,733	1,478,805	13,078,257	567,544	2,878,550
1	24	82,222,174	0	0	-48,409,927	21,693,888	231,733	1,478,805	13,078,257	617,440	2,878,550
2	24	77,815,656	0	0	-60,478,066	21,693,888	231,733	1,478,805	13,078,257	667,337	2,878,550
3	24	79,079,589	0	0	-38,405,894	21,693,888	231,733	1,478,805	13,078,257	717,233	2,878,550
4	24	79,101,895	0	0	-51,848,790	21,693,888	231,733	1,478,805	13,078,257	767,130	2,878,550
5	24	78,548,256	0	0	-66,056,089	21,693,888	231,733	1,478,805	13,078,257	817,026	2,878,550
6	24	84,027,293	0	0	-42,172,361	21,693,888	231,733	1,478,805	13,078,257	866,923	2,878,550
7	24	81,764,283	0	0	-53,808,552	21,693,888	231,733	1,478,805	13,078,257	349,276	2,878,550
8	24	83,211,252	0	0	-66,967,334	21,693,888	231,733	1,478,805	13,078,257	399,172	2,878,550
9	24	82,281,914	0	0	-37,469,721	21,693,888	231,733	1,478,805	13,078,257	449,069	2,878,550
10	24	85,446,974	0	0	-50,341,325	21,693,888	231,733	1,478,805	13,078,257	498,966	2,878,550
11	24	89,755,750	0	0	-63,442,087	21,693,888	231,733	1,478,805	13,078,257	548,862	2,878,550
12	24	94,078,344	0	0	-39,502,069	21,693,888	231,733	1,478,805	13,078,257	598,759	2,878,550
1	25	84,388,753	0	0	-53,250,920	21,693,888	231,733	1,478,805	13,078,257	651,399	2,878,550
2	25	79,857,366	0	0	-66,525,872	21,693,888	231,733	1,478,805	13,078,257	704,040	2,878,550
3	25	81,156,294	0	0	-42,246,484	21,693,888	231,733	1,478,805	13,078,257	756,681	2,878,550
4	25	81,177,960	0	0	-57,033,669	21,693,888	231,733	1,478,805	13,078,257	809,322	2,878,550
5	25	80,603,372	0	0	-72,661,698	21,693,888	231,733	1,478,805	13,078,257	861,963	2,878,550
6	25	86,246,846	0	0	-46,389,598	21,693,888	231,733	1,478,805	13,078,257	914,604	2,878,550
7	25	83,932,735	0	0	-59,189,408	21,693,888	231,733	1,478,805	13,078,257	368,486	2,878,550
8	25	85,415,446	0	0	-73,664,068	21,693,888	231,733	1,478,805	13,078,257	421,127	2,878,550
9	25	84,463,283	0	0	-41,216,693	21,693,888	231,733	1,478,805	13,078,257	473,768	2,878,550
10	25	87,722,951	0	0	-55,375,457	21,693,888	231,733	1,478,805	13,078,257	526,409	2,878,550
11	25	92,158,579	0	0	-69,786,296	21,693,888	231,733	1,478,805	13,078,257	579,049	2,878,550
12	25	96,609,478	0	0	-43,452,276	21,693,888	231,733	1,478,805	13,078,257	631,690	2,878,550

PROJECTED INCURRED HEALTH INSURANCE COSTS
Based on Rate Increases of 5% on 1/1/24 and 5% on 1/1/25

Mo	Yr	Health Premiums Incurred	Health Claims Incurred	Drug Rebates Incurred	Health Plan Expenses	PCORI Fees Incurred	Health Gain (Loss) Incurred
1	23	71,784,744	-71,721,667	11,362,687	-2,548,216	-47,295	8,830,252
2	23	71,784,744	-70,012,928	10,971,035	-2,548,216	-47,295	10,147,339
3	23	71,784,744	-79,819,066	12,580,728	-2,548,216	-47,295	1,950,894
4	23	71,784,744	-77,568,568	12,220,814	-2,548,216	-47,295	3,841,478
5	23	71,784,744	-79,087,024	12,915,727	-2,548,216	-47,295	3,017,936
6	23	71,784,744	-88,113,615	13,201,970	-2,548,216	-47,295	-5,722,413
7	23	71,513,032	-76,706,458	10,578,355	-2,543,675	-47,295	2,793,960
8	23	71,513,032	-83,580,773	11,962,529	-2,543,675	-47,295	-2,696,182
9	23	71,513,032	-79,997,816	11,522,498	-2,543,675	-47,295	446,744
10	23	71,513,032	-85,464,828	11,701,458	-2,543,675	-47,295	-4,841,308
11	23	71,513,032	-91,014,587	11,909,784	-2,543,675	-47,295	-10,182,741
12	23	71,513,032	-95,335,958	12,299,730	-2,543,675	-47,295	-14,114,167
1	24	75,378,988	-75,778,206	12,498,955	-2,623,599	-49,897	9,426,241
2	24	75,378,988	-74,027,027	12,068,138	-2,623,599	-49,897	10,746,603
3	24	75,378,988	-84,432,618	13,838,801	-2,623,599	-49,897	2,111,675
4	24	75,378,988	-82,012,953	13,442,895	-2,623,599	-49,897	4,135,435
5	24	75,378,988	-83,711,483	14,207,300	-2,623,599	-49,897	3,201,309
6	24	75,378,988	-93,066,551	14,522,167	-2,623,599	-49,897	-5,838,893
7	24	75,096,027	-80,938,833	11,636,191	-2,618,923	-49,897	3,124,565
8	24	75,096,027	-88,280,276	13,158,782	-2,618,923	-49,897	-2,694,287
9	24	75,096,027	-84,509,321	12,674,748	-2,618,923	-49,897	592,635
10	24	75,096,027	-90,178,869	12,871,604	-2,618,923	-49,897	-4,880,059
11	24	75,096,027	-95,934,435	13,100,763	-2,618,923	-49,897	-10,406,465
12	24	75,096,027	-100,462,483	13,529,703	-2,618,923	-49,897	-14,505,573
1	25	79,137,508	-80,146,930	13,748,851	-2,703,021	-52,641	9,983,767
2	25	79,137,508	-78,352,921	13,274,952	-2,703,021	-52,641	11,303,877
3	25	79,137,508	-89,406,473	15,222,681	-2,703,021	-52,641	2,198,054
4	25	79,137,508	-86,802,401	14,787,185	-2,703,021	-52,641	4,366,630
5	25	79,137,508	-88,699,861	15,628,030	-2,703,021	-52,641	3,310,015
6	25	79,137,508	-98,399,029	15,974,383	-2,703,021	-52,641	-6,042,799
7	25	78,841,087	-85,491,298	12,799,810	-2,698,203	-52,641	3,398,755
8	25	78,841,087	-93,339,972	14,474,660	-2,698,203	-52,641	-2,775,069
9	25	78,841,087	-89,367,327	13,942,223	-2,698,203	-52,641	665,139
10	25	78,841,087	-95,249,341	14,158,764	-2,698,203	-52,641	-5,000,334
11	25	78,841,087	-101,220,818	14,410,839	-2,698,203	-52,641	-10,719,737
12	25	78,841,087	-105,969,449	14,882,673	-2,698,203	-52,641	-14,996,533

PROJECTED PLAN CASH FLOWS
Based on Rate Increases of 5% on 1/1/24 and 5% on 1/1/25

Mo	Yr	Premiums Less Expenses	Health Claims Paid, Net	BCBS Rebates Received	CVS Caremark Drug Pricing Adjustment	PBM Drug Rebates Received	Cash Flow Life	Interest Income	PCORI Fees Paid	Net Cash Flow
1	23	69,236,528	-81,059,253	1,676,493		0	50,000	156,665	-1,459,069	-11,398,637
2	23	69,236,528	-74,388,351			0	50,000	149,247		-4,952,576
3	23	69,236,528	-78,637,836		4,916,869	33,194,693	50,000	159,229		28,919,483
4	23	69,236,528	-77,618,673			0	50,000	167,874		-8,164,271
5	23	69,236,528	-79,649,762			0	50,000	160,224		-10,203,010
6	23	69,236,528	-82,782,636			34,914,450	50,000	164,964		21,583,305
7	23	68,969,357	-78,944,520			0	50,000	169,890	-537,956	-10,293,229
8	23	68,969,357	-82,174,447			0	50,000	159,966		-12,995,123
9	23	68,969,357	-80,906,896			38,338,510	50,000	165,640		26,616,612
10	23	68,969,357	-82,394,896			0	50,000	171,226		-13,204,313
11	23	68,969,357	-86,841,381			0	50,000	158,369		-17,663,655
12	23	68,969,357	-91,142,705			34,063,383	50,000	156,051		12,096,086
1	24	72,755,389	-85,206,314			0	50,000	155,989		-12,244,936
2	24	72,755,389	-78,433,546			0	50,000	148,606		-5,479,550
3	24	72,755,389	-83,168,684			35,910,972	50,000	157,030		25,704,707
4	24	72,755,389	-81,990,647			0	50,000	163,979		-9,021,279
5	24	72,755,389	-84,265,122			0	50,000	155,513		-11,304,220
6	24	72,755,389	-87,587,515			38,405,894	50,000	160,711		23,784,480
7	24	72,477,104	-83,201,843			0	50,000	166,240	-567,544	-11,076,042
8	24	72,477,104	-86,833,307			0	50,000	155,497		-14,150,706
9	24	72,477,104	-85,438,659			42,172,361	50,000	161,858		29,422,664
10	24	72,477,104	-87,013,809			0	50,000	168,149		-14,318,557
11	24	72,477,104	-91,625,659			0	50,000	154,295		-18,944,261
12	24	72,477,104	-96,139,889			37,469,721	50,000	152,240		14,009,175
1	25	76,434,487	-89,836,522			0	50,000	152,577		-13,199,458
2	25	76,434,487	-82,884,308			0	50,000	144,474		-6,255,347
3	25	76,434,487	-88,107,546			39,502,069	50,000	153,544		28,032,555
4	25	76,434,487	-86,780,735			0	50,000	160,998		-10,135,250
5	25	76,434,487	-89,274,449			0	50,000	151,513		-12,638,449
6	25	76,434,487	-92,755,554			42,246,484	50,000	157,133		26,132,550
7	25	76,142,884	-87,805,409			0	50,000	163,249	-598,759	-12,048,036
8	25	76,142,884	-91,857,261			0	50,000	151,520		-15,512,857
9	25	76,142,884	-90,319,490			46,389,598	50,000	158,563		32,421,554
10	25	76,142,884	-91,989,673			0	50,000	165,556		-15,631,234
11	25	76,142,884	-96,785,190			0	50,000	150,532		-20,441,775
12	25	76,142,884	-101,518,550			41,216,693	50,000	148,698		16,039,725

CY23 PROJECTED PLAN EXPERIENCE
Based on Current Benefits
Based on Rate Increases of 5% on 1/1/24 and 5% on 1/1/25

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	108,591	\$457	5.8%	\$457	0.0%	608,653,943	-544,462,643	-20,088,504	44,102,796	7%
Spouse Only	Active	3,788	\$544	6.0%	\$544	0.0%	24,210,625	-30,018,125	-799,067	-6,606,567	-27%
Full Family	Active	5,581	\$794	6.0%	\$794	0.0%	52,414,921	-57,450,787	-1,729,944	-6,765,810	-13%
Children Only	Act/Ret	8,701	\$383	6.1%	\$383	0.0%	38,804,219	-43,795,808	-1,280,726	-6,272,314	-16%
Child Only	Act/Ret	10,822	\$191	6.1%	\$191	0.0%	23,307,593	-28,906,854	-769,263	-6,368,524	-27%
Disabled Employee	Retired	96	\$525	5.8%	\$525	0.0%	605,325	-3,316,111	-21,826	-2,732,613	-451%
Employee	Retired	7,611	\$525	5.8%	\$525	0.0%	47,950,875	-65,120,946	-1,490,083	-18,660,154	-39%
Spouse Only	Retired	961	\$626	6.1%	\$626	0.0%	7,221,223	-8,030,212	-183,746	-992,735	-14%
Full Family	Retired	236	\$913	5.9%	\$913	0.0%	2,581,051	-1,958,282	-44,809	577,960	22%
Family (1 On Medicare)	Retired	62	\$404	6.0%	\$404	0.0%	298,152	-451,639	-10,334	-163,822	-55%
Spouse Only (Medicare)	Retired	2,830	\$213	6.0%	\$213	0.0%	7,233,800	-6,688,934	-556,351	-11,486	0%
Employee (Medicare)	Retired	18,194	\$213	6.0%	\$213	0.0%	46,504,929	-44,995,632	-3,576,692	-2,067,395	-4%
Total Health Insurance							859,786,655	-835,195,975	-30,551,345	-5,960,664	-0.7%
RECAP BY SUBGROUP											
Active Employees							608,653,943	-544,462,643	-20,088,504	44,102,796	7%
Dependents Of Active Employees							138,737,358	-160,171,575	-4,578,999	-26,013,216	-19%
Disabled Retirees (Regular)							605,325	-3,316,111	-21,826	-2,732,613	-451%
Retirees & Dependents (Regular)							58,051,301	-75,561,080	-1,728,972	-19,238,750	-33%
Retirees & Spouse Only (Medicare)							53,738,729	-51,684,566	-4,133,044	-2,078,881	-4%
Total Health Insurance							859,786,655	-835,195,975	-30,551,345	-5,960,664	-0.7%
Life Insurance Gain										600,000	
Interest Income										1,939,343	
less PCORI Fees										-567,544	
Total Gain (Loss)										-3,988,864	-0.5%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										101,707,509	
Change In Surplus										-3,988,864	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										97,718,645	
Active Employee Premium Summary											
Employer Contributions							566,150,543				
Employee Contributions							38,906,055				
COBRA Premiums							3,597,344				
Total Active Employee Premium							608,653,943				

* 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 Current Benefits
Based on Rate Increases of 5% on 1/1/24 and 5% on 1/1/25

CLASS	Active/ Retired	Avg Count	Prem	Rate	Prem	Rate	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
		01/01/24 12/31/24	Rate*	Rate*	Rate*	Rate*					
Employee	Active	108,591	\$479	4.8%	\$479	0.0%	639,242,160	-571,749,771	-20,685,086	46,807,303	7%
Spouse Only	Active	3,788	\$571	5.0%	\$571	0.0%	25,402,623	-31,481,450	-821,997	-6,900,825	-27%
Full Family	Active	5,581	\$834	5.0%	\$834	0.0%	55,030,073	-60,343,684	-1,780,705	-7,094,316	-13%
Children Only	Act/Ret	8,701	\$402	5.0%	\$402	0.0%	40,707,066	-45,832,735	-1,317,230	-6,442,899	-16%
Child Only	Act/Ret	10,822	\$201	5.2%	\$201	0.0%	24,482,232	-30,175,407	-792,215	-6,485,390	-26%
Disabled Employee	Retired	96	\$550	4.8%	\$550	0.0%	634,150	-3,501,661	-22,472	-2,889,983	-456%
Employee	Retired	7,611	\$550	4.8%	\$550	0.0%	50,234,250	-68,467,290	-1,533,949	-19,766,989	-39%
Spouse Only	Retired	961	\$657	5.0%	\$657	0.0%	7,578,824	-8,445,722	-189,219	-1,056,118	-14%
Full Family	Retired	236	\$959	5.0%	\$959	0.0%	2,711,093	-2,070,680	-46,392	594,021	22%
Family (1 On Medicare)	Retired	62	\$425	5.2%	\$425	0.0%	313,650	-471,319	-10,559	-168,229	-54%
Spouse Only (Medicare)	Retired	2,830	\$224	5.2%	\$224	0.0%	7,607,376	-6,892,969	-572,810	141,597	2%
Employee (Medicare)	Retired	18,194	\$224	5.2%	\$224	0.0%	48,906,592	-46,350,320	-3,682,501	-1,126,229	-2%
Total Health Insurance							902,850,088	-875,783,009	-31,455,135	-4,388,055	-0.5%
RECAP BY SUBGROUP											
Active Employees							639,242,160	-571,749,771	-20,685,086	46,807,303	7%
Dependents Of Active Employees							145,621,994	-167,833,276	-4,712,148	-26,923,430	-18%
Disabled Retirees (Regular)							634,150	-3,501,661	-22,472	-2,889,983	-456%
Retirees & Dependents (Regular)							60,837,817	-79,455,011	-1,780,119	-20,397,314	-34%
Retirees & Spouse Only (Medicare)							56,513,968	-53,243,289	-4,255,310	-984,631	-2%
Total Health Insurance							902,850,088	-875,783,009	-31,455,135	-4,388,055	-0.5%
Life Insurance Gain										600,000	
Interest Income										1,900,107	
less PCORI Fees										-598,759	
Total Gain (Loss)										-2,486,707	-0.3%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										97,718,645	
Change In Surplus										-2,486,707	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										95,231,938	
Active Employee Premium Summary											
Employer Contributions							594,652,401				
Employee Contributions							40,811,625				
COBRA Premiums							3,778,135				
Total Active Employee Premium							639,242,160				

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

CY25 PROJECTED PLAN EXPERIENCE
Based on Current Benefits
Based on Rate Increases of 5% on 1/1/24 and 5% on 1/1/25

CLASS	Active/ Retired	Avg Count	Prem	Rate	Prem	Rate	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
		01/01/25 12/31/25	Rate*	Rate*	Rate*	Rate*					
Employee	Active	108,591	\$502	4.8%	\$502	0.0%	671,241,657	-600,950,838	-21,313,124	48,977,696	7%
Spouse Only	Active	3,788	\$600	5.1%	\$600	0.0%	26,676,074	-33,044,953	-847,013	-7,215,892	-27%
Full Family	Active	5,581	\$876	5.0%	\$876	0.0%	57,776,754	-63,440,305	-1,834,515	-7,498,066	-13%
Children Only	Act/Ret	8,701	\$422	5.0%	\$422	0.0%	42,711,367	-48,003,075	-1,356,162	-6,647,870	-16%
Child Only	Act/Ret	10,822	\$211	5.0%	\$211	0.0%	25,675,499	-31,522,150	-815,243	-6,661,895	-26%
Disabled Employee	Retired	96	\$577	4.9%	\$577	0.0%	665,281	-3,701,384	-23,152	-3,059,255	-460%
Employee	Retired	7,611	\$577	4.9%	\$577	0.0%	52,700,295	-72,053,295	-1,580,158	-20,933,158	-40%
Spouse Only	Retired	961	\$690	5.0%	\$690	0.0%	7,959,495	-8,891,158	-194,987	-1,126,650	-14%
Full Family	Retired	236	\$1,007	5.0%	\$1,007	0.0%	2,846,789	-2,191,816	-48,067	606,906	21%
Family (1 On Medicare)	Retired	62	\$446	4.9%	\$446	0.0%	329,148	-492,203	-10,794	-173,849	-53%
Spouse Only (Medicare)	Retired	2,830	\$235	4.9%	\$235	0.0%	7,980,953	-7,103,462	-590,150	287,341	4%
Employee (Medicare)	Retired	18,194	\$235	4.9%	\$235	0.0%	51,308,255	-47,746,131	-3,793,977	-231,853	0%
Total Health Insurance							947,871,566	-919,140,769	-32,407,343	-3,676,545	-0.4%
RECAP BY SUBGROUP											
Active Employees							671,241,657	-600,950,838	-21,313,124	48,977,696	7%
Dependents Of Active Employees							152,839,694	-176,010,483	-4,852,934	-28,023,723	-18%
Disabled Retirees (Regular)							665,281	-3,701,384	-23,152	-3,059,255	-460%
Retirees & Dependents (Regular)							63,835,727	-83,628,471	-1,834,007	-21,626,751	-34%
Retirees & Spouse Only (Medicare)							59,289,208	-54,849,593	-4,384,127	55,488	0%
Total Health Insurance							947,871,566	-919,140,769	-32,407,343	-3,676,545	-0.4%
Life Insurance Gain										600,000	
Interest Income										1,858,358	
less PCORI Fees										-631,690	
Total Gain (Loss)										-1,849,878	-0.2%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										95,231,938	
Change In Surplus										-1,849,878	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										93,382,060	
Active Employee Premium Summary											
Employer Contributions							624,449,798				
Employee Contributions							42,824,596				
COBRA Premiums							3,967,263				
Total Active Employee Premium							671,241,657				

* 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 Current Benefits
Based on Rate Increases of 5% on 1/1/24 and 5% on 1/1/25

CLASS	Active/ Retired	Avg Count	Prem	Rate	Prem	Rate	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
		07/01/23 06/30/24	Rate* 07/01/23	Incr 07/01/23	Rate* 01/01/24	Incr 01/01/24					
Employee	Active	108,591	\$457	0.0%	\$479	4.8%	623,980,542	-557,585,015	-20,387,214	46,008,312	7%
Spouse Only	Active	3,788	\$544	0.0%	\$571	5.0%	24,819,319	-30,690,544	-810,918	-6,682,143	-27%
Full Family	Active	5,581	\$794	0.0%	\$834	5.0%	53,731,355	-58,794,196	-1,755,556	-6,818,397	-13%
Children Only	Act/Ret	8,701	\$383	0.0%	\$402	5.0%	39,754,524	-44,751,053	-1,298,893	-6,295,422	-16%
Child Only	Act/Ret	10,822	\$191	0.0%	\$201	5.2%	23,898,773	-29,516,747	-780,841	-6,398,815	-27%
Disabled Employee	Retired	96	\$525	0.0%	\$550	4.8%	619,725	-3,406,121	-22,149	-2,808,545	-453%
Employee	Retired	7,611	\$525	0.0%	\$550	4.8%	49,078,963	-66,636,606	-1,511,887	-19,069,530	-39%
Spouse Only	Retired	961	\$626	0.0%	\$657	5.0%	7,398,481	-8,208,374	-186,236	-996,129	-13%
Full Family	Retired	236	\$913	0.0%	\$959	5.0%	2,645,451	-2,011,719	-45,643	588,089	22%
Family (1 On Medicare)	Retired	62	\$404	0.0%	\$425	5.2%	305,775	-461,672	-10,475	-166,372	-54%
Spouse Only (Medicare)	Retired	2,830	\$213	0.0%	\$224	5.2%	7,420,228	-6,801,168	-564,580	54,480	1%
Employee (Medicare)	Retired	18,194	\$213	0.0%	\$224	5.2%	47,698,985	-45,713,435	-3,629,252	-1,643,703	-3%
Total Health Insurance							881,352,118	-854,576,648	-31,003,643	-4,228,173	-0.5%
RECAP BY SUBGROUP											
Active Employees							623,980,542	-557,585,015	-20,387,214	46,008,312	7%
Dependents Of Active Employees							142,203,970	-163,752,539	-4,646,207	-26,194,776	-18%
Disabled Retirees (Regular)							619,725	-3,406,121	-22,149	-2,808,545	-453%
Retirees & Dependents (Regular)							59,428,670	-77,318,370	-1,754,241	-19,643,941	-33%
Retirees & Spouse Only (Medicare)							55,119,212	-52,514,603	-4,193,832	-1,589,223	-3%
Total Health Insurance							881,352,118	-854,576,648	-31,003,643	-4,228,173	-0.5%
Life Insurance Gain										600,000	
Interest Income										1,922,969	
less PCORI Fees										-583,151	
Total Gain (Loss)										-2,288,355	-0.3%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										125,031,198	
Change In Surplus										-2,288,355	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										122,742,843	
Active Employee Premium Summary											
Employer Contributions							580,445,571				
Employee Contributions							39,850,274				
COBRA Premiums							3,684,696				
Total Active Employee Premium							623,980,542				

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

FY25 PROJECTED PLAN EXPERIENCE
Based on Current Benefits
Based on Rate Increases of 5% on 1/1/24 and 5% on 1/1/25

CLASS	Active/ Retired	Avg Count	Prem	Rate	Prem	Rate	Premiums	Claims	Plan Expenses	Gain (Loss)	Gain (Loss) Rate
		07/01/24 06/30/25	Rate*	Rate*	Rate*	Rate*					
			07/01/24	07/01/24	01/01/25	01/01/25					
Employee	Active	108,591	\$479	0.0%	\$502	4.8%	655,281,955	-585,806,776	-20,999,613	48,475,566	7%
Spouse Only	Active	3,788	\$571	0.0%	\$600	5.1%	26,052,800	-32,200,416	-834,906	-6,982,521	-27%
Full Family	Active	5,581	\$834	0.0%	\$876	5.0%	56,412,524	-61,784,192	-1,807,834	-7,179,502	-13%
Children Only	Act/Ret	8,701	\$402	0.0%	\$422	5.0%	41,707,740	-46,851,415	-1,336,595	-6,480,269	-16%
Child Only	Act/Ret	10,822	\$201	0.0%	\$211	5.0%	25,082,367	-30,822,423	-803,807	-6,543,863	-26%
Disabled Employee	Retired	96	\$550	0.0%	\$577	4.9%	649,702	-3,598,634	-22,812	-2,971,744	-457%
Employee	Retired	7,611	\$550	0.0%	\$577	4.9%	51,452,585	-70,094,172	-1,556,925	-20,198,513	-39%
Spouse Only	Retired	961	\$657	0.0%	\$690	5.0%	7,767,518	-8,636,747	-191,839	-1,061,068	-14%
Full Family	Retired	236	\$959	0.0%	\$1,007	5.0%	2,778,293	-2,128,298	-47,274	602,721	22%
Family (1 On Medicare)	Retired	62	\$425	0.0%	\$446	4.9%	321,273	-481,929	-10,705	-171,361	-53%
Spouse Only (Medicare)	Retired	2,830	\$224	0.0%	\$235	4.9%	7,793,804	-7,008,831	-581,476	203,497	3%
Employee (Medicare)	Retired	18,194	\$224	0.0%	\$235	4.9%	50,100,648	-47,090,128	-3,737,879	-727,360	-1%
Total Health Insurance							925,401,207	-896,503,960	-31,931,664	-3,034,416	0%
RECAP BY SUBGROUP											
Active Employees							655,281,955	-585,806,776	-20,999,613	48,475,566	7%
Dependents Of Active Employees							149,255,431	-171,658,445	-4,783,142	-27,186,156	-18%
Disabled Retirees (Regular)							649,702	-3,598,634	-22,812	-2,971,744	-457%
Retirees & Dependents (Regular)							62,319,668	-81,341,146	-1,806,742	-20,828,220	-33%
Retirees & Spouse Only (Medicare)							57,894,452	-54,098,959	-4,319,355	-523,862	-1%
Total Health Insurance							925,401,207	-896,503,960	-31,931,664	-3,034,416	-0.3%
Life Insurance Gain										600,000	
Interest Income										1,878,519	
less PCORI Fees										-615,224	
Total Gain (Loss)										-1,171,122	-0.1%
Beginning Surplus (Prior to Any Applicable Premium Deficiency Reserve)										122,742,843	
Change In Surplus										-1,171,122	
Ending Surplus (Prior to Any Applicable Premium Deficiency Reserve)										121,571,721	
Active Employee Premium Summary											
Employer Contributions							609,597,203				
Employee Contributions							41,815,201				
COBRA Premiums							3,869,551				
Total Active Employee Premium							655,281,955				

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