State Wide Health Insurance Pool for School District Employees and Retirees

Study of Feasibility, Costs, Impact, Plan Designs, Funding, Wellness/Consumer Education, and Other Issues

For the School Employee Insurance Plan and Design Committee

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I. Introduction

Reden & Anders, Ltd. (R&A) has prepared this report solely for the use of the School Employee Insurance Plan and Design Committee, its constituent organizations, the Minnesota Department of Commerce, and the Minnesota Legislature to determine the feasibility of a new risk pool covering Minnesota school districts and to compare the projected costs of such a pool under various scenarios to the projected costs under current coverage arrangements. This report is not intended for any other purpose. No further reference to R&A, beyond the statements in this report, may be made without R&A's prior consent. The projections in this report are based on R&A's best assumption of future trends and expenses and best approximations where exact data do not exist. As with any projection, actual future trend and other factors may differ from the assumptions we made in this study.

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The School Employee Insurance Plan Study and Design Committee (the Committee) was established by Senate File Number 1755, Chapter 378, as passed by the Minnesota Legislature in 2002. This Act required the Committee to study:

- The feasibility and desirability of a school employee health insurance plan.
- Costs, coverage provided, financial feasibility, solvency, and management of such a plan, comparing fully insured, self-funded, multiple employer welfare arrangements (MEWA), and existing sources.
- Pools of various sizes, including a pool with all eligible employers.
- The impact of the pool on employers of various sizes.
- Specifications of a plan or plans to be offered, including the plan's or plans' benefits, premiums, governance, operations, solvency, and oversight.
- Consumer education and wellness programs to encourage the wise use of health coverage.

The Committee chose Reden & Anders, Ltd. (R&A) as its consultant to assist the Committee in achieving the goals of the Act. R&A's specific assignments were to:

- Collect, validate, and analyze data from health plans, insurers, TPAs, and service cooperatives currently providing coverage to school districts.
- Prepare a technical study of the feasibility and desirability of a variety of health plan structures, addressing cost, coverage, financial feasibility, solvency, and management.
- Develop a limited set of plan designs.

Introduction (cont'd)

This report presents the results of the study, addressing the questions:

- Could a new pool structure save the school districts money, as compared to the districts' current arrangements for health insurance coverage? If so, how much?
- Should a new pool structure be insured, self-funded, or MEWA?
- If the pool is self-funded, how much reserve should it hold in addition to claim reserves? How quickly should this additional reserve be built up?
- Should districts be required to get their health coverage through the pool? Should the district's choice of the pool versus another carrier be voluntary?
- How do statewide plans for school districts operate in other states?
- Should there be a single, statewide pool with one rate for each plan design, regional pools with a range of rates for each plan design, or other alternatives?
- How many plan designs should a new pool offer? What should they be?
- Can disease management, wellness initiatives, consumer education, and pharmacy benefit contracting be improved versus current arrangements? If so, what impact would recommended improvements have on claims?
- What are the current employee and retiree contribution levels (i.e., amounts for coverage deducted from pay or pension)? What implications do these have in plan designs, especially for early retirees and part-time employees?
- How should a pool structure its rates by district, particularly in its early years of operation, to start on a sound financial basis? How should a pool minimize the impact of creating large "winners and losers" among districts getting large cost decreases or increases compared to their pre-pool costs?

The cost of preparing this report was $501,802 as follows:

- Charges by Reden & Anders to conduct the study, collect and analyze data, attend committee meetings and work with the Committee, and prepare this report: $484,750
- Costs incurred by the Department of Commerce: $8,386
- Costs incurred by the Committee: $8,666

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Introduction (cont'd)

The 341 Minnesota school districts have a total of 100,000 employees and retirees and almost as many dependents, covered by seven carriers that are expected to pay $622 million in claims during the 7/1/03 to 6/30/04 period, at a total cost of $700 million. This total cost is expected to grow to $1.1 billion by the 2008-09 year if there are no plan changes.

It is an older insured population, with more early retirees than the average under 65 insured group. The older school district members and the mix of generally comprehensive, low member cost-sharing plans have, in combination with overall high medical trends, driven up the costs of these plans. The purpose of this study is to determine if restructuring both the plan designs and the way in which coverage is provided can lower both the overall cost level and the size of future cost increases.

II. Glossary of Key Terms and Abbreviations

Allowed Cost: The total cost of health services received by plan members *after* provider discount, other contracted reimbursement and coordination of benefits are applied, but *before* member cost sharing is deducted.

Anti-Selection: The ability of a group or individual to choose a health plan or carrier in a manner that maximizes the potential plan benefits relative to the cost the group or individual pays, generally to the detriment of the carrier or risk pool.

Attachment Point: The claim amount at which the risk of a self-funded pool, cooperative, or group ends and the risk of the stop loss carrier begins. In specific stop loss, the attachment point is an amount of claims per individual per year—typically $50,000 or more. In many cases, the pool, cooperative, or self-funded group will continue to pay a portion of the claims, such as 10% or 20%, after the attachment point is reached. With aggregate stop loss, the attachment point is expressed as a total amount of claims in the year for the entire group, or as a percentage (such as 110%, 120%, 125%) of expected claims.

Carrier: Any entity that insures or administers coverage to members for health care. Although this term is commonly used to refer to risk-bearing entities like health plans or insurance companies, we use "carrier" in this report to refer to any entity that could administer a health coverage pool of the type we are evaluating. In this context, carriers include insurance companies, HMOs, Blue Cross Blue Shield (BCBS), third party administrators, and cooperative arrangements like the Minnesota Service Cooperatives and the Public Employer Insurance Program (PEIP).

Cost Sharing: The portion of each claim that members must pay out of pocket, based on plan design. Cost sharing does not include paycheck deductions for the employee's share of plan cost. Cost sharing is also referred to as out-of-pocket (OOP) expense.

Formulary: A list of preferred drugs provided via a pharmacy prescription and maintained by a pharmacy benefit manager (see below). Formularies are typically developed to steer members and their physicians to cost effective drug alternatives.

Health Risk Appraisal: The most common appraisal is a health status questionnaire that a group's members complete, plus a battery of basic health measurements (such as body mass index) on the members. The appraisal usually produces a health risk age. For members with ongoing health conditions or unhealthful lifestyles, the risk age will exceed the member's actual age.

HIPAA: The Federal Health Insurance Portability and Accountability Act. Among its requirements, HIPAA also mandates that carriers and other users of health plan data maintain strict confidentiality standards.

Glossary of Key Terms & Abbreviations (cont'd)

HRA: Health Reimbursement Arrangement. An employer-funded account that reimburses employees for medical care expenses and allows unused amounts to be carried forward to future years. The employer funding and the amounts used by members for health expenses are both tax-free. An HRA is typically used with higher deductible consumer driven health plans and can also be used alongside an employee-funded flexible spending account.

HSA: Health Savings Account, as allowed by the new federal law enacted recently. This is an account funded by members with pre-tax dollars to cover out-of-pocket expenses. Like the HRA, withdrawals to cover eligible medical expenses are tax-free, and unused HSA amounts can be rolled over to future years. The law requires the member also be enrolled in a qualified high deductible medical plan.

Leveraging (Trend): The additional annual increases in a plan's net health benefits, above the increases in the base allowed charges, that happens when the plan's out-of-pocket amounts (deductible, copays, etc.) are not increased at the same rate as base allowed charges. As an example, the net benefit payable on $1,000 of allowed charges over a $250 deductible is $750. If these same services cost $1,100 (10% more) next year, but the deductible stays at $250, the net benefit is $850, a 13% increase over Year 1.

MCHA: Minnesota Comprehensive Health Association, the state's high risk health insurance plan. The state assesses all health insurance and health plan premiums to cover the difference between MCHA's claims and the premiums it collects from its enrollees.

Member: Anyone who receives coverage from one of the districts' health plans. These include employees, retirees, COBRA individuals, and dependents.

Minnesota Service Cooperatives: These eight regional cooperatives provide health benefits and services to school districts and other public and non-profit entities. BCBS administers the benefits through a partially self-funded, minimum premium arrangement.

Out-of-Pocket (OOP): This is the portion of medical and drug allowed cost that members pay themselves. Examples of OOP expenses are office visit and drug copayments, deductibles, and coinsurance. OOP does not include employee and retiree contributions to plan premiums that are deducted from salary or pension.

PBM: Pharmacy Benefit Manager. This is the entity that typically handles the prescription drug portion of the benefit plan. Sometimes, the carrier administering the medical portion of the plan owns the PBM.

PEIP: Public Employer Insurance Program. PEIP is run through the Minnesota Department of Employee Relations and is administered by Marsh-Seabury. HealthPartners, MMSI/Mayo, and Preferred One provide benefits on a self-funded basis to PEIP.

PMPM: Per Member Per Month. This is the common way in which health plans develop, compare, and track a plan's costs over time.

Glossary of Key Terms & Abbreviations (cont'd)

Primary Member: The person who is or was an employee, through whom family members receive coverage. Primary members, also referred to as subscribers, include active employees, COBRA-eligible individuals, and retirees.

Retention: Expenses charged by a carrier to administer a health benefit plan. Retention includes carrier administrative expenses, premium taxes, MCHA assessments, commission, broker fees, Medicaid surcharge, and the contributions to the carrier's reserves (sometimes referred to as risk charges).

Retirees – Early: Retirees under age 65 and therefore not eligible for Medicare.

Retirees – Medicare Eligible: Retirees age 65 and over who are eligible for Medicare.

Risk Pool: In the context of this project, a risk pool is an aggregation of school districts that could potentially agree to provide a standard set of benefit plans, jointly purchase or administer health coverage and related services for their members, and share overall gains and losses among themselves.

SEGIP: The State Employees Group [Health] Insurance Plan. The current plan, called Minnesota Advantage, is a single benefit plan with four provider tiers, each of which has its own level of member cost sharing. There is one payroll cost for the plan, which is administered by Blue Cross Blue Shield of Minnesota, HealthPartners, and Preferred One.

Stabilization Reserve: Funds held by a self-funded risk pool or single self-funded group to cover possible losses in future years caused by underestimating future claims and other expenses. This reserve covers future "business risks," as compared to claim reserves that cover claims incurred by the self-funded pool or group but which have not been paid as of a valuation date.

Stop Loss Coverage: Insurance purchased by a self-funded group or risk pool that covers claims in excess of an attachment point (see definition above) in a given plan year. Coverage can be either specific (coverage of a catastrophic claim by a member) or aggregate (coverage of claims exceeding a set amount for the entire self-funded risk during the year).

Subscriber: See Primary Member, above.

TPA: Third Party Administrator. A TPA administers health benefit plans for self-funded groups. Typically, they pay claims, maintain managed care provider networks, handle member accretions and deletions and coverage changes, offer disease management and PBM, and provide periodic claim reserve and other financial reports.

Trend: The combination of inflation - the increase in the costs per service - and the increase in utilization - the number of services and mix of services used by members, including changes caused by new technologies and aging population.

III. Executive Summary

COMMITTEE REPORTS

1. Please refer to Appendices A, B, and C for the recommendations, reports, and opinions of Committee members.

2. Appendix D is draft legislation.

POOL FEASIBILITY AND COSTS

1. A new risk pool to provide health insurance to school districts is feasible.

2. A mandatory, statewide pool would be large and stable enough to be structured on a self-funded basis. It should build up a stabilization reserve of 9.8% of annual claims, in addition to its claim reserve. Our projection assumes that the pool will initially purchase specific stop loss protection at a $500,000, or higher, attachment point, with this level increasing yearly. We do not believe that a mandatory pool as proposed requires aggregate stop loss.

3. Without factoring in any benefit plan design changes or wellness initiatives, a mandatory (i.e., districts are required to get their health coverage from the pool) and self-funded pool is projected to save $223 million ($197 million on a present value basis) over the 6 years of our projection. This is 4.1% of the projected total costs under current plans and carriers, on a present value basis.

Executive Summary (cont'd)

4. The projected cost savings from the mandatory pool breaks down as follows:

   - 37% from self-funding the pool and not paying premium taxes and MCHA assessments. Under Minnesota Rule 2785, self-funded pools of political subdivisions do not have to pay these items.

   - 29% from lower administrative costs. We estimate that approximately 1/3 of this reduction comes from a limited selection of 5 new plans, as compared to the current large array of plans available to most districts.

   - 24% from the difference between the new pool's contributions to reserves (risk charges) and stop loss costs and those of current carriers. This assumes adding 4.5% to 5% to pool premiums in Years 1 and 2, to build up the stabilization reserve. Starting in Year 3, we project that the investment income that the pool can capture on its claim and stabilization reserves will provide nearly all of the required annual increases to the stabilization reserve.

   - 10% from eliminating broker and agent commissions and other miscellaneous reductions.

5. The reduction in costs varies by year, as shown in Table 1. The pool's cost as a percentage of claims are more in Years 1 and 2 than in later years, because of the need to build up the stabilization reserve and because of additional Year 1 start up expenses. The pool can capture investment income on its reserves and use this source to offset and, in later years, largely eliminate the need for a risk charge in its premiums.

TABLE 1
COSTS OF ADMINISTRATION, STOP LOSS, RESERVE CONTRIBUTIONS, COMMISSIONS, TAXES, AND ASSESSMENTS AS PERCENTAGES OF CLAIMS--WITHOUT PLAN, WELLNESS, OR PRESCRIPTION DRUG CHANGES

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	6 Year Present Value
Current Arrangements	12.6%	11.8%	11.4%	11.0%	10.7%	10.5%	11.3%
New Structures							
Mandatory Pool	11.6%	10.4%	5.5%	5.1%	4.8%	4.7%	6.7%
Voluntary Pool	14.7%	11.7%	6.9%	6.5%	6.3%	6.1%	8.4%
Difference in Total Cost From Current Arrangements							
Mandatory Pool	-0.9%	-1.3%	-5.2%	-5.3%	-5.3%	-5.3%	-4.1%
Voluntary Pool	1.8%	-0.0%	-4.0%	-4.0%	-4.0%	-4.0%	-2.6%

Executive Summary (cont'd)

6. A mandatory pool is able to set up a rating structure that significantly narrows the current large differences in rates per employee by district. A mandatory pool cannot, by itself, alter significantly the overall trend line for health costs for all of the districts combined. However, it can greatly reduce large year-to-year swings in rate changes that many districts now experience. Furthermore, by promoting particular cost-effective plan designs, it can influence favorably the bargaining between providers and its managed care network.

7. In contrast to a self-funded pool described above, a fully insured pool would not bear any risk. However, it would have to pay its carrier risk charges and large claim pooling charges each year that exceed the levels we project for the self-funded pool. In addition, a fully insured pool would pay premium taxes and MCHA assessments. The total cost of a fully insured pool would be significantly more than that of a self-funded pool.

VOLUNTARY VERSUS MANDATORY POOLS

1. In contrast to a mandatory pool described above, a voluntary pool would compete for districts' business with other pools, cooperatives, and carriers. A voluntary pool retains districts' control over their plans and their freedom of choice. It allows districts with low claims to get lower rates than districts with high claims.

2. Because its rating methods must conform to some degree to those used by its competitors, a voluntary pool cannot significantly reduce large year-to-year swings in rate changes that many districts now experience, as a mandatory pool can.

3. A voluntary pool would have higher administrative expenses than a mandatory pool, because fixed costs would be spread over a smaller volume of business. It would also require a higher stabilization reserve and greater specific stop loss protection (lower attachment point) than a mandatory pool, because of its smaller size and greater claim volatility. Groups than now use broker would likely continue to do so and pay the same commissions.

Executive Summary (cont'd)

4. Assuming a voluntary pool could achieve a 60% share of the school district market in 3 years, it could reduce costs by 2.6% from the average level of all of the current plans and carriers combined. The break down of this reduction is:

   - 57% from self-funding the pool and not paying premium taxes and MCHA assessments.

   - 6% from the difference between the new pool's contributions to reserves (risk charges) and stop loss costs and those of current carriers. This assumes that a voluntary pool would not have to purchase aggregate stop loss.

   - 37% from lower administrative costs. This assumes that a voluntary plan could achieve a 60% market share and operate in a competitive market with a limited selection of 5 new plans, as compared to the current large array of plans available to most districts. This may only be possible if the state at least mandates plan designs that districts must offer their employees.

5. A mandatory pool would be larger and therefore likely to have more influence in provider fee negotiations.

6. A new voluntary pool would have to distinguish itself in a marketplace that already makes coverage available to districts through other cooperative and state-run coverage alternatives.

PROPOSED STANDARD PLAN DESIGNS

1. There is currently a wide variety of in force plans. The average net benefit to allowed charge ratio of the current plans is approximately 90%.

2. The projections assume that the new pool would limit plan choice of standard prototype plan designs. See Exhibits 9.1 and 9.2 for the 5 plans the Committee considered. The final designs may be slightly different, and it is possible to add a few additional plans without affecting the projected cost savings.

3. Plans 1-4 are designed to be similar to common plans that districts now have and provide a transition from their current plans to the pool's new standard plans.

4. The CDHP features an employer-funded health reimbursement account (HRA). The initial amount of the HRA will depend on the difference in cost between the high deductible insurance plan and the current plan or plans that a district offers. After Year 1, annual HRA deposits would increase with average salary increases, rather than the higher health trend rates.

Executive Summary (cont'd)

5. Employees use their HRAs to pay for out of pocket expenses. Employees can roll over unused HRA balances from year-to-year. Retirees can spend unused HRA balances to pay for post-retirement medical expenses.

6. The prototype CDHP includes incentive HRA deposits, in addition to the base amount, if the adult members take the health risk appraisal, work to lose weight or stop smoking, and engage in a healthy lifestyle.

7. The CDHP encourages members to use health care services wisely and to consider the financial impact of their health utilization decisions. It also gives members a financial incentive to research provider profiles and generic drug information using web-based and other resources. We project this results in 2% lower utilization as compared to the current mix of plans.

8. Pharmacy copays for all plans feature 3 tiers: generic-formulary, brand-formulary, and brand-non-formulary, with a sizable difference between the last two. The large majority of current plans have either a closed formulary only or different formulary and non-formulary copays, but most do not have different copays for generic and brand.

9. Not counting any HRA or flexible spending account deposits, the comparisons of the total costs of the 5 prototype plans, including higher member out-of-pocket expense, decreases in utilization, all savings from the new pool structure (administration, stop loss, etc.), and additional wellness and PBM savings, to the average of the current plans are shown in Table 2:

TABLE 2
COMPARISON OF PROJECTED TOTAL COSTS* OVER 6 PROJECTION YEARS
PROTOTYPE NEW POOL PLANS VERSUS CURRENT MIX OF PLANS/CURRENT ARRANGEMENTS

CDHP A	Plan 1 Copay	Plan 2 $300 Deductible	Plan 3 $600 Deductible	Plan 4 $1,000 Deductible
-22.6%	-11.7%	-17.9%	-21.8%	-26.3%

* Reflects reductions in average costs from plan designs, wellness initiatives, PBM direct contracting, and new pool structural cost reductions in administration cost, taxes and assessments, contributions to reserves, and stop loss. CDHP A comparison does not include HRA deposits.

10. Plan 1 and the CDHP feature multiple network provider levels, with increasing member out-of-pocket expenses. The multiple levels could be an important factor in provider fee negotiations. Multiple levels could possibly be included in Plans 2-4 also.

11. After an initial transition period, the new pool's governing body should consider how many plans the pool should offer, or whether the pool should move to a single plan.

Executive Summary (cont'd)

Disease Management, Wellness, Consumer Education, Pharmacy Benefits

1. The current carriers' disease management programs address the needs of the districts and their members very well. We do not know of any alternative programs that could do a significantly better job.

2. The use by adult members of health risk appraisals should be dramatically increased, though financial incentives to members (in the form of higher employer contributions to premiums and bonus HRA deposits) and to districts, in the form of premium discounts for supporting and promoting the pool's wellness programs.

3. Significantly greater adult member participation (80% or more) in health risk appraisals and use of web-based and printed information resources are projected to result in cost reductions of 0.5% starting in Year 3, growing to 1.6% for Years 5 and beyond.

4. A new pool has the flexibility to negotiate directly with a PBM for a slightly larger share of manufacturers' rebates. In addition, the proposed plan designs have a greater spread between formulary and non-formulary copays than the average of the current plans, increasing formulary use. Taken together, these measures could reduce costs by 0.2%, from more rebates returned to groups.

5. Web-based resources should allow members to research provider credentials, frequency of performing procedures, and treatment alternatives.

Employee Contributions and Cash in Lieu of Coverage

1. Active employees now contribute, via payroll deductions, an average of 1.5% of the cost of single coverage and 22% of the cost of family coverage.

2. Retirees now contribute, via pension deductions or with severance payments, an average of 59% of both single and family coverage.

3. The higher level of retirees' contributions to the cost of their medical plans is a reason to consider offering the early retirees a special plan that features more cost sharing but significantly lower cost. Once such plan, using the CDHP model, is shown in Exhibit 9.4.

4. Several districts pay employees cash in lieu of receiving benefits. While this may be a good deal for employees and districts, it can result in losses for the risk pool that provides coverage and prospectively rates its groups.

Executive Summary (cont'd)

REGIONS

1. From the standpoint of pool management, administration, stop loss purchases, and risk spreading, a single statewide pool is more cost-effective than separate regional pools having their own management, stop loss, and risk assumption.

2. However, from the standpoint of rate setting, regional rate setting may be preferable. Regional rating reflects local costs and creates greater buy-in of the process by the districts. Districts in a region can join together for wellness and other activities to help lower costs.

3. The Committee has defined 6 regions, as shown by county in Exhibit 2.1.

TRANSITION ISSUES

1. Under the current coverage arrangements, there is a wide variation of PMPM costs by district—more than 2 to 1, even after adjusting to a common plan design and grouping districts by region.

2. If a new mandatory pool were to attempt an immediate implementation of single pool-wide rates for each prototype benefit plan, even on a regional basis, there would be significant "winners and losers." The winners are those districts that had high costs before the pool was set up; the losers are those that had low costs.

3. This effect cannot be totally eliminated, but phasing in the pool-wide rating over 3-4 years can soften it.

4. The pool should consider retaining some rate variation by district, say –5% to +5% of the regional average, after Year 4, to provide incentives to districts to promote and participate in pool-wide wellness initiatives and to follow pool-wide guidelines on part-timer coverage and cash payments in lieu of coverage.

5. Considering the need to establish pool management, send out request for proposals, choose vendors, work with districts, set up the plans, and set initial rates, the likely earliest date for a new pool to start its operation would be July 1, 2005.

6. The projections assume the pool will have $3 million in start-up expenses over and above normal year-to-year expenses.

IV. About This Study

SOURCES OF INFORMATION

We sent out several data requests in the course of this project. The primary ones are:

1. A request to school districts regarding their premium rates during the 2000-01 and 2001-02 plan years (most districts' plan years run from July 1 to June 30). In addition to the rates, we also sought information on employee and retiree contribution levels, stop loss costs, number of employees and retirees covered by plan and by tier (single, family, etc.), and employees waiving coverage. Approximately 85% of districts responded. We used these data to estimate employee and retiree contribution levels, to verify or supplement enrollment, stop loss, and premium data from carriers, to determine what carriers presently service the districts, and to examine districts' cash in lieu of coverage policies.

2. Requests to carriers of school districts during the 2000-01 and 2001-02 periods. These carriers are:

   - Blue Cross Blue Shield of Minnesota
   - Health Partners of Minnesota
   - Medica Health Plan
   - Preferred One
   - Principal Financial
   - Wausau Benefits
   - CBSA
   - MMSI
   - First Plan of Minnesota
   - Sioux Valley Health Plan

   The first request sought detailed claim and membership data. We used these data to determine claims and member counts during these periods by carrier, district, and benefit plan within district. We also used the data to compare costs of active employees to those of retirees, to compare the districts' costs by service category and diagnosis groups to those of an average commercial population, and to identify particular service or diagnosis categories where district members' claims are significantly different from a typical commercially insured population.

About This Study (cont'd)

3. A second request to these carriers provided premium, plan design, retention, stop loss coverage, and additional member data for the 2001-02 year. For PEIP groups, Marsh Seabury supplied most of this information. Several carriers also provided factors that measure the relative benefit levels between their plans. Using the R&A cost models, we tested a sample of these factors and, where appropriate, adjusted them for consistency between carriers and with the other model values we used. Requests 1-3 are in the "Interim Report to the Minnesota Legislature: Experience of School Districts and Actuarial Observations" (July 30, 2003).

4. A third request to carriers updated the data in (3) to the 2003-04 plan year. We requested information on changes in the two years from 2001-02 to 2003-04: how much premium rates or self-funded claims costs changed, what plan changes the districts implemented, and how many employees shifted between plans. Two carriers provided fairly complete information; one carrier provided limited data, and the others did not respond. For the carriers that provided limited or no data on changes, we made assumptions that plan costs changed consistent with trend over the two years. This is a best estimate of costs for the carriers that did not respond, and we are confident that it produces a reasonable result overall that reflects the experience of all districts.

5. Requests for Information (RFI) sent to all of the current school district carriers and to several other carriers. The purpose of the RFI was to determine what carriers are interested in providing administrative services to a statewide pool and at what estimated cost level. We sent a second RFI to stop loss carriers, to determine their premiums for specific stop loss coverage at $250,000 and $500,000 attachment points. The RFIs are in Appendix E.

Reliance Statement

In developing this report, R&A has relied upon the data and information supplied by the carriers and administrators mentioned in (2) and (3) above and by the school districts. We also relied on other information supplied by the School Employee Insurance Plan and Design Committee. We relied upon the general accuracy of these data and information without independent verification. However, we did review certain parts of these data and information for reasonableness and consistency with our knowledge of the health insurance industry.

METHODS AND ASSUMPTIONS

A study of this magnitude involves numerous assumptions and detailed methods to determine costs for the 2001-02 historical period and to project experience forward to 2003-04, which represents Year 1 of the projections and for five years beyond that. The following describes the key assumptions we made and the principal methods we used in this study:

About This Study (cont'd)

Assumptions Used in Projecting Current Plans' and Carriers' Costs

Trend

Exhibit 7 shows R&A's trend projections through the 2008-09 year. For gross allowed charges, before the impact of cost sharing, we project trend will gradually decrease from its current 13.1% level to 7.8% by 2008-09. For prescription drugs, currently increasing at approximately 16.9% per year, we believe that trends will stay high, fueled by new drugs and therapies, but will decrease to 11.0% by 2008-09. For other medical services, we project a decrease from 12.1% to 6.8%, reflecting a much wider use of electronic patient monitoring management technology and greater hospital efficiency.

Actual year-to-year trend changes may not be as smooth as we show in Exhibit 7. There could be a large change in one year followed by a small one the next, and there may be a year of increasing trend. However, we believe that the overall pattern of trend in the next 5 years will be downward and that this is the best framework within which to compare a new pool to the current arrangements.

Leveraging due to fixed plan copays, deductibles, and OOP limits causes the trend on net benefits, after cost sharing, to be higher than trend on gross allowed charges. Leveraging increases with the level of deductible and other OOP amounts. For the current plan average, we assumed a small degree of leveraging appropriate for plans that pay an average benefit of more than 90% of allowed charges.

Claims

The basis of the claims projection is the data supplied by carriers for their covered school districts for the period July 2001 through June 2002. The carriers provided claim data, along with detailed membership records, with appropriate protection of member confidential information. Because the reporting of active and retired status is voluntary and varies by district, we had this breakdown on less than half of the total data. The data with the active-retired breakdown probably has a higher percentage of non-metro primary members, but we believe the available data present a reasonable approximation of the active-retired split in all of the districts.

We assumed no change in members by district from the 2001-02 period through the end of the projection period. Year 1 of the projection is the 2003-04 projection. To project the claims for Year 1 of the projection, we used the information we received in the third carrier data request (see above) for those carriers that responded. We updated (generally increased) the premiums and retentions for each district by the percentages that the carriers indicated, including plan changes and enrollment mix by plan. We increased the claims by the increases in premiums net of retentions. For those carriers that did not respond, we assumed 14% per year increases for two years and no plan design or member distribution changes.

About This Study (cont'd)

For Years 2 through 6, we trended the previous year's claims by the percentages shown in Exhibit 7 for the current plans.

Retention Items

With the exception of some of the smaller carriers, each current carrier provided us with their total retention level for 2001-02—the combination of administrative expenses, premium taxes, MCHA assessments, contributions to reserves (risk charges), and, where applicable, commissions. Some carriers split out these components; others provided just the total.

We used 3.8% for the combination of premium and HMO taxes and MCHA assessment for all years except 2001-02, where we used 3.65%. We used exact commissions, or none, where the carriers specifically reported this item. For other districts where the information was unclear, if we believed that broker commission was likely, considering similarly situated districts with commissions, we added 1% to 2% for this item.

For insured and service cooperative groups, we assumed that there would be a contribution to reserves, or risk charge. This contribution is either an explicit rating factor or the spread between anticipated and actual claims. Based on information from carriers, we assumed that the factor or average spread is 2.0% to 2.5% of premium and assumed that some of them return a portion of favorable claim experience back to groups as retrospective rate credits.

We assumed that administrative expenses increase by approximately 4% each year. These expenses typically reflect staff salaries and investments in technology and software. Because the claims increase at significantly higher rates, the administrative expense as a percentage of claims decreases over the years of the projection.

Stop Loss and Other Large Claim Pooling

The current carriers provided us with stop loss attachment points and premiums for their self-funded groups and for the service cooperatives. In addition, we assumed that carriers develop rates for their insured groups by removing from the groups' experience large individual claims and applying pooling charges. We estimated that pooling levels would be at approximately 10% of annual claims and that pooling charges would be equivalent to reported stop loss premiums.

The detailed data we received from carriers includes all claims, even those eligible for stop loss and large claim pooling. The data do not indicate which claims were eligible for stop loss reimbursement. Therefore, we assumed that 70% of stop loss premiums and pooling charges are paid out as claims. This is somewhat higher than most stop loss carriers price for, but we feel it may be closer to what the districts will experience.

We used leveraged trend to project stop loss and large claim pooling costs into future years. We assumed that, on the average, groups increase their attachment points at the rate of half of the underlying first dollar trend.

About This Study (cont'd)

Changes in Plan Designs and Mix

As mentioned above, we used carrier responses from the third data request to estimate the impact of plan changes and member shifts among plans that have occurred since the base 2001-02 period. We estimated the impact of member shifts among plans for all groups where their carriers supplied updated information, but we calculated the average impact of plan changes only for districts with 100 or more covered primary members. Due to the size and complexity of all the data required for the projection, we determined the average impact of plan changes and member shifts for each district as a whole and then applied this average change to all plans that the district offered in the 2001-02 period. We believe this produces approximately the same overall result as applying the changes on a plan-by-plan basis.

After this initial year adjustment, we assumed no changes to the current plans -- either plan designs or membership during the six projection years. Districts will obviously make some changes, but these are impossible to predict. For consistency, we made the same "non change" assumption for the new prototype plans as well.

Premiums

We based Year 1 premiums primarily on data we received from 3 of the largest carriers on their rate actions and plan changes (including member shifts between plans) up to the 2003-04 year. For other carriers, we used average trend increases to project premiums to 2003-04. After Year 1, we built up the projected premiums by adding projected claims, retention, and pooling charges net of pool claims. As we mention above, this last item equaled 30% of projected pooling charges.

ASSUMPTIONS USED IN PROJECTING PROPOSED NEW PLANS' AND RISK POOL'S COSTS

Trend

We used the trends included in Exhibit 7. The impact increases with the level of deductible and other OOP amounts; this explains why net trends are higher for new proposed Plan 4 ($1,000 deductible) than for Plan 2 ($300 deductible).

As we discussed above, we assume trend will decrease gradually over the next five years. We also looked at a scenario in which trend plateaus at 11% and one in which there is an unanticipated jump in trend. We discuss these in Section VII below.

We used the projected experience of the 7/1/03 to 6/30/04 period as Year 1.

About This Study (cont'd)

Requests for Information (RFI)

We sent an RFI relating to insuring or administering the proposed school district pool to all of the current school district carriers and to other selected TPAs. The RFI is in Appendix E of this report. Since this was not a formal request for proposals, we told the carriers that they would not be bound by their responses. The RFI asked carriers:

1. Would they provide administrative services to a pool such as the one we are studying? Would their response vary if the pool were mandatory or voluntary? Carrier administrative services include network management, claims adjudication, coverage changes and related member services, disease management, PBM, financial information, financial transactions, and basic wellness programs. They do not include administration of VEBA plans or HRAs. We also assume districts will continue to perform normal human resource functions.

2. How much would they charge for these services for the July 2003 through June 2004 period? We asked carriers to respond assuming a mandatory pool covering all districts and offering 5 standard plans. We also asked how much these charges would vary with a voluntary pool.
3. Do they have a provider network that can service members throughout the state?

4. Describe their disease management program and its service capabilities.

5. Would they fully insure this proposed pool and, if so, what would be their administrative costs?

We received responses from nearly all of the current carriers and three additional TPAs. Exhibit 10 summarizes the responses. We believe all of the responding carriers and TPAs present workable plans to administer a pool of the type being studied, with credible provider networks. Some of the networks presented in the RFIs are less extensive geographically than others, but all networks cover all but small portions of the state. With supplemental provider contracting, we feel all networks can provide reasonable network provider access statewide.

Provider discounts will vary by network, especially if a network requires supplemental contracting in certain locations. We did not request information from RFI respondees on their provider discount levels. Typically this is very proprietary information that carriers and networks are unwilling to share. Therefore, comparison of provider reimbursement levels by RFI-responding carrier is beyond the scope of this report.

The administrative costs from the RFI responses range from 5% to 8% of claims; we used for our projection the average of the lower half of the responses, or 5.65% of claims. The carriers stated that the charges in their responses include first year start-up expense. This expense level assumes that only one carrier will administer the entire pool. If there are multiple or regional carriers, costs will likely be higher, since each carrier would have less scale than if it administered the entire pool.

About This Study (cont'd)

The RFI also requested carriers' charges for stop loss coverage at $250,000 and $500,000 attachment points. We also sent a second RFI to five carriers that only write stop loss. From the RFI responses (see Exhibit 10), we developed our assumption for the cost of stop loss in Year 1 (2003-04) at a $500,000 attachment point for a new mandatory pool and at a $250,000 to $300,000 attachment point for a new voluntary pool.

During the two-year period of July 2000 through June 2002, the districts had 93 members who exceeded $200,000 in claims, and the excess claims over $200,000 totaled $10.4 million, or 1.2% of all claims. While this is somewhat higher than we would expect in a typical commercially insured population (approximately 0.9% for the same time period), only 5 members during this period exceeded $500,000, and the highest claim was $736,000. Please see Exhibit 5 for more detail. Based on this information, we believe that a mandatory pool of this size can comfortably handle the risk up to $500,000 per member.

With the exception of one carrier that proposed specific stop loss at a much lower attachment point than we sought, none of the other stop loss carriers proposed significant aggregate stop loss coverage. As we discuss below, we do not believe that a mandatory pool requires aggregate stop loss; however, a voluntary pool may require it, in certain scenarios. Consistent with how we changed stop loss and pooling costs by year for the current plans and arrangements, we assumed that the pool would increase its attachment point at the rate of half of the underlying first dollar trend and that stop loss claims would equal 70% of stop loss premium.

Internal Pool Operating Expense

In addition to carrier administrative expenses mentioned above, there would also be internal central pool operating expenses. We based these on the internal expenses of the Minnesota Department of Employee Relations (DOER) for 2003 for SEGIP. We modified DOER's internal expenses for the school district pool as follows:

- The pool would not perform normal human relations functions, which DOER has but which we assume the districts would continue to do. This reduced DOER's expenses by approximately 2/3.

- The pool's claim base would be 47% larger than SEGIP's claims. Because most of the pool's internal expenses are fixed, the higher claims base reduces the pool's cost as a percentage of claims. The resulting expenses are 0.24% of claims, or $1,450,000 in Year 1.

- The pool would have to rate separately all districts in its first year of operation. After the first year, the rating would be more simplified. A more detailed description of the proposed rating is in Section X below. Furthermore, covering 341 districts requires additional accounting and auditing costs. For all of these extra functions, we added 0.17% of claims (approximately $1,050,000) in Year 1 and 0.11% in later years (approximately $750,000 in Year 2 to $1,090,000 in Year 6).

About This Study (cont'd)

- There would be approximately $2,700,000 of additional start up costs in Year 1. These expenses include preparation and evaluation of requests for proposals to vendors; investment, banking, auditing, and governance set-up; setting up data warehousing; and special communications with districts. This is our approximation, based on what we felt were reasonable costs of the various start-up expense items.

After Year 1, we increased both carrier and internal administrative costs of the new pool by 4% per year, consistent with our projection of costs under the current plans and carriers. As with the current arrangement projection, this assumption causes the administrative expense, as a percentage of claims to decrease each year.

For the main part of the analysis, we assumed a mandatory, self-funded risk pool. Therefore, the number of districts and members are assumed to be constant, and there is no premium tax or MCHA assessment. In addition, administrative expenses assume that a new pool will offer only a limited menu of plans.

Investment Income

A self-funded pool is able to capture all the investment income earned on its stabilization and claims reserves and on other positive cash flows. To project the amount of investment income, we assumed an investment portfolio consisting entirely of 5-year federal government and high quality corporate bonds and a mix of various 6 month to 1-year investment instruments. In Year 1, we assumed a mix of 50% at 5-year maturities and 50% at 1-year and under maturities. The mix gradually changes over the next three years to an ultimate mix of 80% at 5-year maturities and 20% at 1-year and under. Based on a sampling of available yields at 12/23/03, we assumed average yields of 3.9% for the 5-year bonds and 2.1% for the 1-year and under investments. We assumed these rates do not change over the projection period.

Stabilization Reserves and Contributions to Reserves

We assumed that a proposed mandatory pool would not be able to assess districts retroactively for pool losses. Therefore, a self-funded risk pool should have a stabilization reserve in addition to its claim reserve. Using a process similar to how a health plan or insurer determines its risk-based capital requirement, we believe that a mandatory pool should have a stabilization reserve equal to approximately 9.8% of annual claims. This is equivalent to a health carrier's capital at 250% of authorized control level (ACL). Most carriers have higher capital levels than this, but the mandatory nature of the proposed pool and the resulting stability allow for a lower level. For a voluntary pool, with a higher level of pricing risk and more unknowns, we believe the stabilization reserve should be at 11.8% of claims, or equivalent to 300% of ACL.

About This Study (cont'd)

In our projections, we assume that the pool builds up to its required stabilization reserve over its first two years of operation. Investment income on reserves provides some of the needed build-up capital, but the large majority of it would have to come from added margins built into the premiums charged to districts. For a mandatory pool, we assume that the pool would add 5% of claims to its Year 1 premiums and 4.7% in Year 2. However, starting with Year 3, we project that investment income provides nearly all of the necessary increase to the stabilization reserve. Barring an unexpected jump in claims that might deplete part of the stabilization reserve for a period of time (discussed below), we project that only very small stabilization reserve increments need to come from premiums in Years 3 and later.

A voluntary self-funded pool has much more difficulty building is stabilization reserve, because it operates in a competitive environment where other carriers have already built up needed reserves and surplus. We discuss these issues in Section VIII below. For the purpose of projecting experience and costs, we assume that the marketplace would allow a voluntary pool to build up its stabilization reserve over its first two years, 7% of claims in Year 1 and 5% in Year 2. In addition, a voluntary pool would require a minimum level of premium contributions to reserves, in addition to investment income, in all years of the projection.

Projected Costs of Proposed Prototype New Plan Designs

The Committee considered five prototype plans, outlined in Exhibits 9.1, 9.2, and 9.3. For each carrier, we chose one or two current benchmark plans, based on those plans that appeared to be common or to be similar to plans of a large number of in force groups. Using R&A health cost models, we developed model PMPM claim costs for the prototype plans and the existing benchmark plans of each carrier. The R&A model costs factor in both the impact of member cost sharing and the change in utilization we expect when cost sharing changes. Combining the benefit relativity factors provided by the carriers for their existing plans (which we adjusted where appropriate for consistency with our model rates) with the R&A model costs, we adjusted each district's current plans' trended PMPM costs to the level we expect if all of the district's employees switched to one of the prototype plans.

We assumed that administrative and net stop loss costs will be the same regardless of plan design. Claim costs will obviously vary by plan, along with contributions to reserves, which are a function of the overall claim cost level.

Plan Changes

We assumed no changes to the prototype plans during the six projection years, in order to be consistent with the way we projected costs under the current mix of plans and current arrangements. Although the plan design of the CDHP calls for annual adjustments to fixed dollar OOP amounts, our projection assumed no adjustments, again in order to be consistent with the way we projected the current plans.

V. Profile of Districts, Covered Members, and Current Plans

We discussed much of this information in detail in the Interim Report to the Minnesota Legislature mentioned above. We present here some highlights of that report.

Minnesota's 341 school districts presently cover approximately 100,000 employees and retirees and another 97,000 dependents. Ninety-six percent of these members are under age 65.

Exhibit 1.1 shows the census of school district members by age and gender for the 7/1/01 to 6/30/02 period. In Exhibit 1.2, we compare the school district adult members under age 65 to the average commercially insured adult under 65 population. The school members are, on the average, 3 years older than the average commercially insured population, and are over 59% female, compared to 51% for the average adult insured population.

There is a particularly high percentage of school members over age 50. Based on a sample of districts that identified retirees in their data, early retirees (those under 65) comprise approximately 10% of all primary members (employees or retirees) under 65.

Small districts, with 50 or fewer covered primary members, are 28% of all districts but have only 3% of all primary members. Medium size districts, with 51 to 499 covered primary members are 60% of all districts but have only 36% of all primary members. Large districts, with 500 or more covered primary members, comprise only 12% of the districts but have 61% of all primary members.

Of the $479 million claims paid for school district members during the 7/1/01 to 6/30/02 historical period, 54% were from Blue Cross Blue Shield of Minnesota plans, 22% from Medica plans, 17% from HealthPartners plans, 3% from Preferred One plans, and the remaining 4% from smaller carriers.

Table 3 below summarizes how the projected Year 1 total incurred allowed costs of the current plans are split between employers and employees and retirees.

Profiles of Districts, Covered Members, and Current Plans (cont'd)

TABLE 3

SOURCE OF FUNDS FOR COMPONENTS OF YEAR 1 TOTAL COST
(ALL DOLLAR AMOUNTS ARE IN MILLIONS)

Year 1 Total Health Plan Cost Under Current Arrangements	$691.3	% of Total
Amount paid by employers	$557.4	80.6%
Amount paid by employees & retirees via payroll & pension deductions	$133.8	19.4%
Year 1 Total Allowed Charges (before out of pocket expense)	$679.6	
Amount paid by plans	$613.7	90.3%
Amount paid by employees & retirees and families as out of pocket expense	$65.9	9.7%
Total Shares of all Plan Cost		
Employers	$557.4	73.6%
Employees & Retirees	$199.8	26.4%
Total	$757.2	100.0%

Total projected allowed incurred health care charges plus administrative and other expenses and stop loss and risk charges are $757 million for Year 1. We project that employees and retirees will pay 26% of the total. The $200 million that we project employees and retirees pay is broken down as follows: $134 million as payroll or pension contributions and $66 million as out-of-pocket expenses (copays, deductibles, and coinsurance).

Approximately 40% of active employees enrolled in school district plans take coverage on some or all family members. In a typical under age 65 commercially insured population, 52% of employees take family coverage. The lower percentage among school district employees is probably due to:

- School district employer contribution levels that are at or near 100% of the cost of single coverage, at least for one plan offering. Family premiums typically have a far lower employer share of the cost.

- Possibly more school employees have working spouses, with their own coverage, than do employees in a typical working population. Considering the districts high proportional contributions to single coverage rates, many of these employees find it less expensive to take single coverage for themselves and have their spouses take coverage on themselves and their children.

Among retirees, only 27% take family coverage. These individuals have fewer children at home, and individual Medicare supplement policies are often a more cost effective coverage choice.

Profiles of Districts, Covered Members, and Current Plans (cont'd)

The typical family full premium is 2.4 times the single full premium. This relationship is approximately the same for actives and retirees.

Exhibit 6 shows the 2001-02 allowed claim costs by diagnosis category for the school districts members. Compared to similar benchmarks, commercially insured populations covered by two large carriers (*not* adjusted to the districts' age, gender, or geographical distribution), the districts showed proportionally more claims, as percentages of total claims, than the benchmark population for cancer and benign growths, muscular-skeletal problems, eye disorders, and psychological disorders.

The Committee defined six regions in the state, following the regional health coordinating boards established by the Minnesota Department of Health. Exhibits 2.1 and 2.2 show the counties in these regions and split of school plan members and claims by region.

Exhibit 3 compares the allowed PMPM charges, before any member cost sharing, during the historical period to the charges we would expect during the same period from an average commercially insured population with the same age and gender mix and approximately the same geographical distribution as the school district members, based on R&A's cost model and our estimate of allowed charges after provider discounts. The under age 65 school district population had allowed costs that were 13% higher than those from the average commercially insured population. These higher allowed costs may be due in part to more comprehensive (lower member cost sharing) benefit plans typically available to school employees as compared to those offered by private employers. Lower cost sharing creates less resistance to higher utilization. In particular, radiology and diagnostic laboratory services performed in physician offices were higher for the school members than what we would expect from the commercial population.

Exhibit 8 shows the range of in-force benefit plans during the July 2001 through June 2002 period. Statewide, plans with $10-15 office visit copays and very little additional in-network member OOP expense are by far the most common, accounting for over half of the membership during the period. By region, these plans are overwhelmingly the most common in Region 4, the Twin Cities metropolitan area. In the Greater Minnesota regions outside of the Twin Cities, these plans are also common, but comprehensive major medical plans with low (under $500) deductibles are more popular, and even high deductible ($500 or more) plans are common. Over 87% of the 2001-02 members in high deductible plans were in districts outside of the Twin Cities.

There is a wide range of prescription drug copayments in the current plans. Many plans have very low ($5 and under) single copays (same for generic and brand). Most typical current plans have $7-16 formulary and $12-26 non-formulary copays. Many plans make no distinction between formulary generic and formulary brand copays. Some districts have benefits for formulary drugs only. Other districts have single copays for all drugs, 20% coinsurance instead of copays, or a combination of a copay and coinsurance.

VI. New Plan Designs, Wellness, Disease Management

CURRENT PLANS UPDATED TO 2003-04

Not every carrier responded to our third request for information about plan changes and member shifts from 2001-02 to 2003-04. From the data carriers sent, we discerned three trends:

1. Most districts made no plan changes, but there were shifts of primary members between plans in almost all districts.

2. Districts that changed their plans generally increased deductibles, copays, and OOP limits. A few districts totally replaced existing plans with a high deductible or VEBA plan. Traditional "first dollar" plans were the most likely plans to be discontinued.

3. Members shifting between plans within districts almost always tended to gravitate more to higher cost sharing plans. This may be due to changes in districts contributions.

"TRANSITION" PLANS

The Committee believes that plan choice under a new pool should be limited. The Committee considered a selection of 5 plans, as shown in Exhibits 9.1, 9.2, and 9.3. Four of these are "transition" plans, specifically designed to be similar to most popular existing plans, plus one consumer-driven health plan. The intention is that any district can find one or more new plans that are close to the district's existing plan(s) in cost and design.

Although we refer to certain plans as "transition," there is no particular length of time at which the Committee believes these plans should be eliminated. With regular updates to copays, deductibles, and OOP amounts, the "transition" plans could be continued as long as the administrative body of the pool believes that they add value. The choice of whether to retain these 4 plans beyond the initial transition period or move to just one or two plans should be based on:

1. Number of members still in the transition plans after the initial period. If these plans still have a large membership, the pool may want to retain the plans for a limited number of additional years and tell the districts that the plans will no longer be offered after that.

2. Success of the CDHP. Has it achieved the projected cost reductions? How do members regard the plan?

New Plan Designs, Wellness, Disease Management (cont'd)

3. The experience of SEGIP, which went from multiple plans to a single plan in 2000. The pool's administrators should discuss with DOER the details of the SEGIP transition to the one plan, particularly how the plan was presented to employee and how DOER has reviewed and modified the plan over time.

4. Administrative expense difference from offering just one plan versus offering several plans. We estimate that there is little administrative cost difference in offering one plan versus offering 5 or 6 plans. Beyond that number, more plan choices may start to add significant expense.

5. Anti-selection issues. The pool may find that anti-selection arising from employee choice of plans is driving up cost unnecessarily. If this is the case, the pool may want to eliminate employee plan choice and go with just one plan. Another way to lessen anti-selection would be for the pool to set statewide guidelines for employer contribution levels by plan. However, with 341 districts, enforcing such guidelines would be difficult and expensive.

The pool's administrative body should have an annual plan review process. The process would consider plan changes (e.g., changes to copays and deductibles) and plan offerings (how many plans and what plans to continue to offer).

The specific cost sharing provisions do not have to be exactly those shown the exhibits. If a pool is implemented, these values should be adjusted in a manner consistent with the common designs of district plans in force at the time of implementation.

Plan 1 has three provider levels: a preferred level for the most cost-effective network providers, an extended level for other network providers, and finally out-of-network (OON). It features office visit copays of $15 for preferred level providers and $20 for extended level. These are comparable to the copays in the most popular current plans with similar designs. However, Plan 1 also has 10% coinsurance on preferred network and 20% on extended network hospital expenses, up to a $1,000 OOP limit for preferred and $2,000 for extended. The extended network also has a $250 hospital deductible. Most of the current copay-type plans have no hospital coinsurance. The lower preferred level member cost sharing should be justified by lower expected allowed charges from these providers. Based on our cost models, Plan 1, as described above, would have 7% lower claims cost than the average cost of all of the current plans.

Plans 2-4 are PPO plans with a comprehensive major medical structure, featuring $300, $600, and $1,000 in-network deductibles (double for OON), respectively, 15% in-network and 30% OON coinsurance, and OOP limits that increase by plan. These are comparable to low, medium, and high deductible plans that districts now have in place (some districts have plans with deductibles as high as $2,000). Based on our cost models, Plan 2 would have claims costs 14% less than the average cost of all of the current plans. Plan 3 would have claims cost 18% less, and Plan 4 would have claims costs 23% less.

New Plan Designs, Wellness, Disease Management (cont'd)

All four of these plans would have the same prescription drug copays: $10 for formulary generics, $20 for formulary brand drugs, and the greater of $40 or 40% for non-formulary drugs. Many current plans just have a single formulary copay level and a higher non-formulary level. We believe that different generic and brand copays encourages generic usage, even within the formulary. In addition, increasing the spread between formulary and non-formulary copays from what the districts now have in place is necessary to maximize formulary usage. Greater formulary usage means lower average cost per prescription and larger manufacturer rebates.

THE CONSUMER-DRIVEN HEALTH PLAN (CDHP)

Provider Levels

Exhibit 9.2 shows two designs for a CDHP high deductible plan. This plan envisions four provider levels, similar to the four levels in the SEGIP plan for 2004:

1. The preferred network, as described above for Plan 1.
2. The extended network, also the same as for Plan 1.
3. A "third tier" network of the highest cost contracted providers in the network.
4. Out of network.

Out-of-pocket expenses are lowest if the member uses the preferred network and are progressively higher for the other 3 levels.

The pool would guarantee to every member reasonable geographical access to providers in either the preferred or extended levels. The CDHP design can easily be re-worked with two or three provider levels. Regardless of how many levels there are, the variation in the expected allowed costs of providers by level must justify the difference in member cost sharing.

Multiple network provider levels can be a factor in negotiating provider fee levels. It has been DOER's experience with the Minnesota Advantage Plan that some providers desire to be in that plan's Level 1, which has the lowest copays and deductible. Lower copays and deductibles usually mean more patients, and some providers are willing to lower their contracted fee in order to be in this level.

Prototype Plan 1 also has multiple provider levels, and deductible Plans 2 and 3 can also be modified to incorporate more levels.

New Plan Designs, Wellness, Disease Management (cont'd)

High Deductible Plan

CDHP A is the plan that R&A and the Committee developed and analyzed in further detail. CDHP B is a plan that R&A developed to take advantage of the new federal tax rules on health savings accounts (HSAs), which require the insurance component to have a deductible of $1,000 or more and an OOP limit not to exceed $5,000. CDHP B's claim cost would be approximately 4.6% less than CDHP A's claim cost. In our discussion and cost comparisons, we will focus solely on CDHP A.

Consumer driven plans that are typically found in the marketplace have higher deductibles than CDHP A but lower levels of cost sharing after the member reaches the deductible. Because the current districts' plans generally have low member cost sharing now, we believe that the pool's initial CDHP should have a lower deductible at the preferred level and office visit copays at the preferred and extended levels, to make the transition less abrupt and to attract more districts and members.

Although there are $15-20 office visit copays at the preferred and extended levels, a key difference from current copay plans is the scope of services covered by the copay. Normally, an office visit copay covers both the visit itself and all diagnostic and lab work performed in conjunction with that visit. In CDHP A, the copay covers only the visit itself; all tests and lab work are subject to the deductible and coinsurance. This provides a strong incentive for the member to ask her/his provider whether proposed tests are really necessary. With the current approach of having a $10-15 copay cover everything, there is every incentive for the provider and the member to order all tests, even those with marginal value.

CDHP A has the same prescription drug copays as new prototype Plans 1-4. CDHP B, in order to be a qualified high deductible plan for favorable HAS tax treatment, must subject office visits and prescription drugs to the same minimum $1,000 deductible as other medical expenses.

Another aspect of the proposed CDHP is indexing the deductible, OOP limit, and copay amounts annually, starting in Year 4. The index would be a blend of the moving 2-3 year average of the CPI-medical component increase and the same moving 2-3 year average of the actual increase in the plan's PMPM allowed costs. This indexing would keep the plan's benefit values current and, at the same time, provide an incentive, in addition to the HRA, for members to recognize the impact of their health spending decisions. Indexing CDHP's fixed values also lowers the leveraging of trend in future years.

Based on information from DOER regarding the SEGIP Minnesota Advantage Plan and our own assumptions about how the pool would determine provider levels, we estimate that 65% of the utilization would be at the preferred level, 23% at the extended level, 9% at the third tier, and 3% out-of-network. This assumption implies an average CDHP A deductible of $750 and an average CDHP A coinsurance of 17.5%, up to an average OOP limit of $2,530.

New Plan Designs, Wellness, Disease Management (cont'd)

Health Reimbursement Account

The HRA that accompanies the CDHP is the centerpiece of the plan. The members use the HRA to pay for OOP expenses; unused HRA amounts roll over to future years and accumulate with interest. Terminating employees or employees switching back to conventional plans would forfeit their HRA balances. Retiring employees could use their HRA balances to fund their post-retirement medical costs.

Exhibit 9.3 is an example of how a district can structure its contribution to each employee's HRA. The HRA in this exhibit accompanies the CDHP A design in Exhibit 9.2 and assumes:

- The school district now has a plan or combination of plans that equal the average of all of the current school district plans,
- The district replaces all of its current plans with the CDHP A, and
- The district determines its contribution to employees' HRAs by taking the difference between the cost of the high deductible plan and the cost of the district's current plan or plans, and then subtracting the cost reduction from assumed lower utilization, the additional HRA administrative costs (estimated to be $7.50 per employee per month), and a small margin for uncertainties with the new plan. Note that a particular district's actual HRA deposit will depend entirely on its own current plans. For example, a district now with a very low cost sharing plan may be able to fund a larger deposit; whereas a district now with a high deductible plan may not be able to fund any HRA deposit beyond the level it currently contributes to an employee's health spending account.

The annual HRA contribution illustrated in Exhibit 9.3 is slightly less than the preferred level deductible, and it's 65% of the expected average deductible across all provider levels. This is a higher level than the typical HRA contribution, which is half the deductible or less. However, the member coinsurance and OOP limit after the deductibles in CDHP are more than most consumer driven plans have. We believe that a significant level of member coinsurance is equally important as a high deductible, because the coinsurance will have a greater influence on the higher utilizing members who have claims in excess of even a high deductible and who account for a disproportionate share of the total claims. A high-utilizing member in CDHP A would be sharing the cost on the first $10,500 of allowed charges s/he incurs from preferred level providers, $11,000 from extended level providers, and higher amounts from the other two levels.

The Committee believes that all new plans, and particularly the CDHP, should contain incentives for members to improve their health status whenever possible. As we show in Exhibit 9.3, the districts' HRA contributions increase if:

- The adult member is a non-smoker, or s/he is a smoker and completes a full year of a supervised smoking cessation program, which includes obtaining and using patches or other related drugs.

New Plan Designs, Wellness, Disease Management (cont'd)

- The adult member has a normal body mass index (BMI) or, if overweight, actively participates for at least a full year in an approved weight loss program. In the later case, the member would get the HRA incentive, even if s/he had not yet achieved a normal BMI, as long as s/he remains in the weight loss program.

- The adult member partakes in the health risk assessment sponsored by the pool (see below).

- The member has been contacted by the disease management program and cooperates with most of the program's directions.

The activities noted above are the health improvement items that can easily be monitored. More can be added at a later time. The districts can adjust both the base level HRA deposit and the various incentive levels and "bonus" deposits based on:

- The expected number of members who will qualify each level or for the bonuses.

- The expected claims savings if members change their health behaviors.

Note that the final structure of HRA incentives may need adjustments in order to comply with the requirements of HIPAA and the Americans with Disabilities Act.

Table 4 below illustrates how the cost of the CDHP plus HRA increases over time, compared with the increases in the current mix of plans. This illustration assumes that, in Year 1, districts make HRA deposits for their employees equal to:

- The difference between the cost of the current plans and the cost of the high deductible plan, less

- The added HRA administrative costs, less

- Expected savings resulting from lower utilization of services, less

- A small margin for uncertainties.

New Plan Designs, Wellness, Disease Management (cont'd)

TABLE 4

TREND COMPARISON: CDHP+HRA COMBINATION VERSUS CURRENT PLAN MIX

			Consumer Driven Plan A		
Trending Period	**Current Average**	**High Ded. Plan**	**HRA Dep.**	**High Ded. Plan + HRA**	**Diff. From Current Avg.**
From 2004 to 2005	12.35%	13.55%	2.50%	11.69%	-0.66%
From 2005 to 2006	11.25%	12.30%	2.50%	10.79%	-0.46%
From 2006 to 2007	10.20%	11.15%	2.50%	9.92%	-0.28%
From 2007 to 2008	9.20%	10.00%	2.50%	9.00%	-0.20%
From 2008 to 2009	8.40%	9.10%	2.50%	8.27%	-0.13%
5 Year Cumulative	63.04%			60.53%	-2.51%

The high deductible plan's costs increase slightly faster than the cost of the current plan mix, because of leveraging over the high deductible. Offsetting this are the lower increases in the annual HRA deposits – we assume these will be 2.5% per year, or closer to the level of salary increases. Over 6 years, the CDHP A plus HRA combination increases at a slower pace than the current plan mix.

The CDHP and HRA provide a strong financial incentive for members to ask whether certain medical items, tests, or procedures are truly necessary and to consider using generic equivalent drugs. Although the recommended HRA incentives are modest, they should incent members to consider how their lifestyle choices affect both their own costs and the overall plan's costs.

The CDHP encourages members to utilize health care wisely and to research provider credentials, alternative treatments, and generic equivalents to recommended drugs. It is therefore important that the carrier for the pool have an easy-to-navigate consumer education web site that allows members to find and evaluate providers on the basis of their credentials, cost level (preferred, extended, etc.), and frequency of performing the procedures that the member needs. In traditional plans, where the OOP cost to the member is about the same regardless of the provider (as long as the provider is in network), there is little incentive for the member to take the time to do this research.

New Plan Designs, Wellness, Disease Management (cont'd)

A disadvantage of the CDHP is that it functions best as an employer's sole plan offering. If an employer offers it alongside traditional lower cost sharing plans, then healthy employees gravitate to the CDHP while other employees stay in the traditional plans. Because the employer would then be contributing to HRAs for its predominantly healthy employees, its overall cost for all of its plans could increase, unless the payroll costs and HRA deposit amounts are very carefully determined. For example, if the district offers multiple plans, its annual HRA deposit for employees choosing CDHP A would have to be significantly less than what we illustrate in Exhibit 9.3. For this reason, we recommend that the CDHP be offered only to districts that totally replace all other plans.

Disease Management and Pharmacy Benefits

We reviewed the disease management programs of the existing major carriers. We gave particular emphasis to several diagnosis categories where the school members appear to have higher claims than we would expect from a typical commercially insured population, as shown in Exhibit 6. We believe that the current programs do a good job of managing members with conditions in the main diagnosis categories. This includes, for example, the musculoskeletal category, where the school members have a significantly higher proportion of claims. We are not aware of other available programs that could produce a significantly better result.

There may be some opportunity for a new pool to lower its prescription drug costs slightly by contracting directly with a PBM, versus the current arrangement of using the PBM either owned or subcontracted by the medical carrier. The added savings would come from:

- Plan designs that present an even greater incentive for members to use formulary drugs, by increasing the copay difference between formulary and non-formulary, and
- Obtaining a larger share of manufacturer rebates.

Our analysis of possible additional savings from pharmacy benefit changes is in Exhibit 12. We also discuss it below in more detail.

New Plan Designs, Wellness, Disease Management (cont'd)

WELLNESS AND CONSUMER EDUCATION INITIATIVES

The districts and their current carriers now offer many wellness activities and health information. There are some initiatives that may benefit the districts further.

Health Risk Appraisals

There should be greater use of health risk appraisals. The appraisal produces a health risk age; for a member with ongoing health conditions or with unhealthful lifestyles, the risk age will exceed the member's actual age. This drives home the cost to the member in terms of lost years of life.

The appraisal then provides recommendations on ways the member can better control his/her condition, improve lifestyle, and possibly reduce the risk age. A risk age that exceeds the actual age is a direct and forceful reminder to the member of how unhealthful habits shorten her/his life. In turn, this provides a strong incentive to improve his/her health and "recoup" years of life.

The current use of appraisals is low. Through financial incentives to members (in the form of HRA bonuses), and to districts (in the form of premium reductions), a pool can encourage much wider use of this important wellness tool. Exhibit 12 and the next section discuss the impact on this initiative on overall plan costs.

Consumer Education

A new pool should develop and promote use of online consumer education tools, so that members can research alternative treatments, compare costs of generic versus brand drugs, and view providers' credentials. For example, members should be able to research board certification for various specialty physicians and the frequency that certain procedures are performed at clinics and hospitals. Members should also be able to compare treatment costs under different settings (e.g., inpatient and outpatient).

However, it is not enough simply to make this information available. If a member's out-of-pocket cost is low and the same regardless of network provider, s/he will not spend the time to research credentials or treatment alternatives. If there is no copay difference between generic and brand drugs, s/he will not research generic availability. The CDHP is particularly designed to provide the financial incentives to get members to take more ownership of their health care expenditures.

The current carriers provide many components of these tools now. Ideally, these tools will enable members to compare the expected cost of a procedure done in an inpatient setting versus ambulatory center and to become comfortable with trying generic drugs rather than immediately going to heavily advertised brands. We did not directly estimate the cost impact of improved consumer education; any savings is implicit in the cost estimates of the CDHP and the other higher deductible new plans.

New Plan Designs, Wellness, Disease Management (cont'd)

SPECIAL EARLY RETIREE PLAN

By law, districts must allow early (under age 65) retirees to remain in their health plans and choose any plan available to active employees. However, this should not preclude the districts' offering these retirees an additional special plan. Affordability is a critical issue for the early retirees, because they pay a much larger share of the premium than active employees do - in some situations paying the entire premium.

A less expensive plan would therefore be an important alternative for early retirees. Exhibit 9.4 presents such a plan, which is similar to CDHP A, except that the deductibles and OOP limits are higher. We estimate that the cost of this plan for the early retirees would be approximately 7% less than the cost of CDHP A. For the early retiree, this plan (or CDHP B, to take advantage of the HSA tax treatment) results in lower cost at a critical type when affordability of coverage is important, and accumulated retiree assets make a high deductible and OOP limit more affordable. This plan encourages retirees to consider purchasing individual Medicare supplement policies when they turn 65, since these individual supplement plans provide more comprehensive coverage, usually at a lower cost to the over 65 retiree.

In order to take advantage of the tax-free health savings accounts allowed by the law that Congress recently enacted a plan along the lines of CDHP B in Exhibit 9.2, eliminating the office visit and prescription drug copayments and subjecting them to the $1,000 deductible, is required.

VII. Projected Costs Through 2008-09

SETTING UP THE PROJECTIONS

PEIP Groups

Our projections did not include districts that obtain their coverage through PEIP. The 19 districts had a total of 1,245 primary members (employees and retirees) and annual premium of $7,445,000 during the July 2001 through June 2002 period. These groups have approximately 1.2% of all primary members and 1.4% of all claims. The largest PEIP district had 174 primary members; the average PEIP district had 66 primary members. Only 5 of the 19 PEIP districts had more than 100 primary members.

PEIP groups can have plans with more than one carrier, making it very difficult to combine the experience and membership of multiple carriers accurately. We found it necessary to omit these groups in order to complete our analysis in a timely manner. We are confident that inclusion of the PEIP groups would not have significantly changed the results of and conclusions from our projections.

Administrative Expense

Section IV above describes the RFI process. Excluding start-up expenses and assuming a single carrier, the normal administrative expenses of a new pool, both carrier and internal, and excluding additional start-up expenses, would be 6% of claims in Year 1, decreasing to 4.4% by Year 6 (under our assumption that these expenses increase at a slower rate than claims). Year 1 would have approximately $3 million of additional start-up expenses, or 0.5% of claims.

As a "reality check" on this assumption, we reviewed at the operating expenses of health insurance risk pools in other states (see Exhibit 11). Georgia, Kentucky, and North Carolina, which mandate that all school districts participate in their pools, generally have lower administrative costs, as a percentage of claims, than the states with voluntary pools. The cost of the Kentucky plan is higher and similar to the voluntary plans, because it is the only fully insured plan of the three mandatory plans and most likely includes premium taxes and carrier risk charges. The expenses of the Georgia and North Carolina plans are particularly low, averaging less than 4% of claims.

Projected Costs Through 2008-09 (cont'd)

STRUCTURAL COST REDUCTIONS IN A STATEWIDE MANDATORY POOL

"Structural cost" refers to components of overall pool cost other than claims cost. These items are as follows:

1. Administrative costs
2. Contributions to reserves, or risk charges
3. Stop loss
4. Various state taxes and assessments

Our discussion below reflects a **mandatory** pool, unless otherwise noted. Also the projected new pool costs assumes it will offer a limited choice of plans.

Exhibit 13 summarizes the structural cost differences by year, both in millions of dollars and as percentage reductions in total cost. Exhibits 15.1 and 15.2 provide detailed projections of costs. The savings, compared to the current arrangements, equal $223 million over the six projection years ($197 million when present valued to the start of Year 1), or 4.1% of the total cost.

Insured Versus Self-Funded

A fully insured pool would definitely retain less risk than a self-funded pool. In fact, typically the carrier takes all of the risk. However, the cost of this risk transfer would be higher contributions to reserves over the life of the pool, compared to contributions that decrease to zero over time in the self-funded scenario with no unexpected increases in claims. The pool might be able to obtain some relief from its carrier if it agreed to fund a premium stabilization reserve. Doing this would involve the same kind of additional risk charges or contributions to reserves in the initial years of operation that we assume for a self-funded pool.

In addition, the insured premiums that the pool pays would have to include premium taxes and MCHA assessments. Finally, in an insured arrangement, the pool would not have the flexibility to unbundled and shop for its stop loss coverage. We believe that a risk pool, especially a mandatory one, has sufficient size and stability to be self-funded, and that the amount of risk transferred from a pool to a health plan or insurer does not justify the added cost of the insured arrangement.

Impact on the Commercial Insured Small Group Market

We believe a new pool would have almost no impact on this market. The overwhelming majority of small districts already get their coverage through the Service Cooperatives, which are self-funded risk pools.

Projected Costs Through 2008-09 (cont'd)

Administration, Commissions, Taxes, and Assessments

The largest component of cost reduction is premium taxes and MCHA assessments. We assumed these are 3.8% of insured premiums. Minnesota Rule 2785 exempts self-funded pools providing coverage to political subdivisions from premium taxes and MCHA assessments. We assume in our projection that this rule will not change. Because the self-funded and Service Cooperative districts do not pay these taxes and assessments now, the current level of taxes and assessments is only 1.5% of the total costs of all districts combined. Note that current fully insured districts could become self-funded or join a Service Cooperative even now, if they so chose, and avoid premium taxes and MCHA assessment.

The projected 6-year MCHA assessments under the current arrangements are $4.8 million in Year 1, increasing to $7.8 million in Year 6. If these assessments are not paid by the school districts, they will have to be paid by other insured groups and individuals and raise those premiums by approximately 0.10%.

Premium taxes would also decrease under a new pool by $5.4 million in Year 1, increasing to $8.6 million in Year 6. The impact of this is not as clear as with the MCHA assessment.

Reduction in administrative costs is the second largest component. The reduction is only 1% of total costs in Year 1, due to the assumed $3 million of additional pool start-up expense. By Year 2, the reduction increases to 1.3% of total costs, than gradually decreases to approximately 1.2%, reflecting a much slower rise in expenses than in claims. This assumes one statewide administrator and one central pool management unit. Rate setting could still be on a regional basis, however.

To estimate the impact of structural changes and to eliminate the impact of benefit plan changes, we used the projected claims from the current plans and arrangements in the projection for the new pool (see the detail Exhibits 15.1 and 15.2). We note the administrative expenses under the current arrangements reflect, in most cases, the availability of a wide array of benefit plans that each carrier offers, plus some level of permitted customization. The expenses under the new pool assume a limited menu of 5 benefit plans.

Several districts now retain agents and brokers to shop their insurance and assist them with evaluating plan changes and cost differences. We assumed that, in a mandatory pool, these districts would no longer require broker services, reducing overall costs by the 0.4% average commissions.

Projected Costs Through 2008-09 (cont'd)

Stop Loss

We project that net stop loss and large claim pooling costs in a new mandatory pool would decrease by over 85% from the level in the current plans and arrangements and would reduce overall costs by approximately 0.9%, as shown in Exhibit 13. We based our assumption of the cost of new pool stop loss on the RFI responses at a $500,000 specific attachment point (see Exhibit 10). This is considerably higher than current attachment points, which range from $30,000-$250,000 for individual groups and from $75,000-$200,000 for the Service Cooperatives. For both current and new stop loss, we assume that 70% of premiums are paid out as claims, with the net cost equal to 30% of the stop loss premium.

Besides the cost reduction from a higher attachment point, we believe that a new pool, particularly a mandatory one, would attract very competitive bids from stop loss carriers. With one exception, none of the stop loss RFI responses included a significant level of aggregate stop loss. We believe this is mainly due to lack of carrier capacity. Because of the inherent stability of a mandatory pool with 200,000 members, an aggregate claim is very unlikely to occur. However, in this unlikely event, even an aggregate claim of just 1% to 2% of overall claims ($6 to $9 million) may be more than the carrier can handle on one risk.

The one carrier that did quote full aggregate stop loss (at 110% of expected claims) provided a quote at a much lower specific attachment point than we believe is necessary. In part because of this lower attachment point, its stop loss cost is much higher than the other carriers.

We believe that a mandatory pool has the size and stability to forego aggregate stop loss coverage, provided it builds up the necessary 9.8% stabilization reserve in its first two years to enable it to absorb unexpected claim fluctuations. And until the pool builds up a base of experience, it must develop rates carefully in Years 1 and 2.

For the pool's Year 1 stop loss premium, we used the fourth lowest of the 8 quotes we received. This carrier included a minimal level of aggregate stop loss with a maximum $2 million annual benefit.

Contributions to Reserves and Investment Income

A new mandatory pool has higher contributions to reserves in Years 1 and 2, as it builds up its stabilization reserves. In our projection, we assume nearly all of this build-up must come from higher premiums—5% of claims in Year 1 and 4.66% in Year 2. The remainder of the build-up comes from investment income on both the claim and stabilization reserves.

After Year 2, a mandatory pool must still maintain the stabilization reserve at 9.8% of a growing claims volume. However, the pool will be capturing all of the investment income on its stabilization reserve and its claim reserve equaling approximately 2 months of claims (16.6% of annual claims). At our assumed investment yield rates and claims trends, the investment income after Year 2 should be sufficient to fund all but a very small portion of the needed stabilization reserve increases.

Projected Costs Through 2008-09 (cont'd)

Impact on Districts of Various Sizes

Exhibit 21 shows the Year 1 current carriers' retentions broken down by size of the district. The retention includes administrative expense, premium taxes, MCHA assessments, and contributions to carriers' reserves; it does not include stop loss or large claim pooling.

As a percentage of claims, current retention costs average approximately 14% for groups of 50 or fewer covered primary members and approximately 12% for all other group size ranges. This is a flatter pattern than we typically see with commercial groups and is probably due to the fact that the large majority of smaller districts get their coverage from the service cooperatives, which do not pay premium taxes on MCHA assessments. The larger group size ranges include many fully insured districts that do pay these items.

Just based on structural cost items, a new mandatory pool would save the most for districts with 50 or less covered primary members. The savings would equal an additional 2% of claims. Assuming the same stop loss savings for all districts, the total 6-year new pool structural savings for the "50 or less" districts would be 5.9% versus 4.1% for larger districts.

We also looked at rate changes from the 2001-02 period to the 2003-04 period by district size, as reported by two of the carriers. The results are also shown in Exhibit 21. Please note that these data come from just two carriers, and the 2-year rate changes include the estimated impact of benefit changes and member shifts between plans. The table should be viewed as only a very approximate split of rate increases by group size. The true "same plan" rate increases would definitely be higher than the increases in the table.

The average 2-year rate changes appear to be nearly the same for all group sizes. In terms of distribution of districts by the size of their 2-year rate changes, the smallest size category (50 or less primary members) actually shows by far the highest percentage of groups, nearly 43% in the "under 10%" increase range. This may be due to a greater willingness of small districts to implement plan changes that offset rate increases. For the other size ranges, the majority of groups had 2-year increases in the 20% to 40% range. These data suggest that pool-wide rating would reduce year-to-year rate swings in a similar way for groups in various size ranges.

Projected Costs Through 2008-09 (cont'd)

OTHER SCENARIOS

Higher Trends

At the request of the Committee, we reviewed an alternative, higher future trend scenario. Table 5 compares these higher trends to the lower base trends we used in our projections.

TABLE 5
COMPARISON OF CONTRIBUTIONS TO RESERVES (RISK CHARGES)
ALTERNATIVE HIGHER TRENDS VERSUS BASE TRENDS

	Trends*		Risk Charge in Premium	
Year	Alternative	Base	Alternative	Base
1	13.95%	13.95%	5.00%	5.00%
2	12.35%	12.35%	4.66%	4.66%
3	11.80%	11.25%	0.22%	0.18%
4	11.25%	10.20%	0.13%	0.04%
5	11.10%	9.20%	0.11%	0.00%
6	11.10%	8.40%	0.11%	0.00%

* Trends shown here reflect the current mix of plans. Other plans have similar differences in trends.

The contributions to reserves (risk charges) built into premiums are slightly higher under the alternative higher trends, because the investment income covers a smaller portion of the required year-to-year increases in the stabilization reserve. All other expense changes from current arrangements due to a new pool are nearly the same percentage of total cost as shown in Exhibit 13. It is our conclusion that the structural cost reductions from a new mandatory pool do not change significantly in a higher trend environment.

Unexpected Jump in Claims

A more significant issue arises if claims increase at a rate higher than the pool anticipated in its rate setting. Exhibit 16 provides an example of this situation, in which the claims unexpectedly jump by 5% in Year 3 and continue at that high level in later years. Given the lead time required in setting districts' rates, an unexpected jump in costs could cause two years to be underrated. This would not be a likely event for a mandatory pool of this size, but if it occurred, the pool might have to deplete its stabilization reserve to offset the shortfall, and then reinstate a 3.1% contribution to reserves rate margin in Years 4-6 to re-build its stabilization reserve.

Other carriers would presumably face the same problem. Some carriers with lower stabilization reserves would need to do approximately the same as we project a new pool would do. However, some carriers hold much higher levels of stabilization reserves, relative to claims, than we anticipate a new pool will have. These carriers can therefore continue to change their normal 2-2.5% contributions to reserves, as before.

Projected Costs Through 2008-09 (cont'd)

Overall, whereas the new pool's contributions to reserves come out lower than in the current arrangements without unexpected losses, they could be somewhat higher if there are multiple years of losses. For this reason, it is important that a new pool carefully price its plans. It should consider an extra margin in rates, particularly in the early years of operation, to minimize the risk of losses. The pool would then return all or part of this margin to the districts as retrospective rate credits after the end of the year, if the pool meets its target for stabilization reserve level.

COST VARIATIONS DUE TO NEW PLANS

Exhibits 14 and 15.3 through 15.7 project the additional cost variations that come from changing to one of the 5 new prototype plans. These exhibits model a situation where all members switch to exactly one of the new plans. We assume that a new pool's stop loss and administrative costs will be identical for all plans. The contributions to reserves will not be the same, because they depend on the overall claim level. Finally, all exhibits assume no plan or membership changes, either under the current or new plans, over the six years of the projection.

"Transition" Plans 1-4

The current mix of plans pays out in benefits approximately 90% of allowed costs. Compared to the current mix, the transition plans would reduce claim costs by 7.1% for Plan 1 to 25.3% for Plan 4 in Year 1, decreasing to 7.1% to 21.3% by Year 6. The savings from the deductible Plans 2-4 drop over the years, because their leveraged trend is higher than we assume for the current mix of plans. Please see Exhibits 14 and 15.4 to 15.7.

For Plans 2-4, we assume that the higher out-of-pocket costs will result in lower utilization—members spending more of their own money will be more careful consumers than if their plans pay for nearly everything. These utilization savings range from approximately 1% for Plan 2 to 2.7% for Plan 4 (included in the cost reductions in the previous paragraph). We do not assume any utilization savings for Plan 1, since its benefits are closest to those of the average of current plans.

Total cost reductions from the current mix of plans, including retention, stop loss, and wellness and pharmacy contracting (see below) range from 7.7% for Plan 1 to 24.7% for Plan 4 in Year 1. By Year 6, the reductions range from 13.4% to 26.3%, due to the mandatory pool's increasing structural cost savings. Again, these are average reductions over all of the districts; a particular district may experience different cost reductions (including different utilization changes), or even cost increases, because the district's present plans have member cost sharing at a much different level than the average of the current mix of plans. Please refer to Exhibit 14 for more detail.

Projected Costs Through 2008-09 (cont'd)

Consumer Driven Health Plan (CDHP)

Without taking into account any additional HRA deposits by districts above the amounts they now contribute to their employees' flexible spending accounts, the high deductible CDHP A plan design (Exhibit 9.2) has projected claims that are 20.9% less in Year 1 than the average of the current mix of plans, grading down to 17.5% less by Year 6. As with Plans 2-4, the reason for the drop in savings is leveraged trend on CDHP A. This projection assumes no annual adjustments to deductibles, copays, and OOP limits. We project that utilization will decrease by 2% from the current average level due to the CDHP A design. Please see Exhibits 14 and 15.3.

These exhibits do not reflect the cost of the districts' HRA deposits or the added administrative cost of a CDHP with an HRA. We assume that a district will reduce its HRA deposit by the amount of additional administrative expenses associated with the CDHP (estimated to be $7.50 per employee per month). Beyond that, it is difficult to estimate the level of employer HRA deposits, as they depend on:

- Current plan levels
- Current district contributions to employees' flexible spending or VEBA accounts.
- Practical limits on the size of the annual deposits—they should not exceed the average deductible of the CDHP, except for added wellness incentives that are designed to pay for themselves from lower overall claims.

PHARMACY CONTRACTING AND WELLNESS/CONSUMER EDUCATION

Exhibit 12 provides detail into how we estimated potential savings from these items.

Pharmacy

Savings come from two sources: increasing the use of cost effective formulary, and particularly generic, drugs, and increasing the amount of manufacturer rebates returned to the pool and ultimately to the districts. As we mention above in Section VI, the new prototype plans have a larger spread between brand formulary and brand non-formulary copays than the average spread in existing plans. The cost impact of the new prototype plans reflects higher formulary and generic utilization due to plan design.

Formulary use is already very high. Many groups have plans that only pay for formulary drugs. We estimate current formulary use is 91% and potential optimal use is 96% under the new plan designs. We estimate that an average of 81% of rebates are now returned to the districts in some form—either as claim credits or as offsets to PBM administrative fees. While this assumption is based on very limited data, we feel it is the best approximation available at the time of this study, considering the small size of this item relative to total plan costs.

Projected Costs Through 2008-09 (cont'd)

We believe that, with direct PBM contracting and the negotiating power that a statewide pool could wield, the share of rebates returned to districts could increase to 95%. With gross rebates at approximately 4% of formulary drug claims, the potential increase in rebates from slightly more formulary use and from a greater share of the rebates is estimated at 0.75% of drug claims, or 0.2% of total claims. While this seems small, we project it will add $1.1 million of savings in Year 1 and $8.7 million of savings over the first 6 years.

Health Risk Appraisals

As we stated above, we believe that much greater use of health risk appraisals is the key to achieving greater savings from wellness initiatives. We estimate that the current use of appraisals is low, around 10%. Through rating incentives aimed at districts and HRA incentives aimed at members, we believe that the usage rate could increase to 80% of all adult members.

Of course, getting members to take the assessments is no guarantee that they will be motivated to make lifestyle changes. The chief motivator to do something is getting a health risk age that's higher than one's actual, or chronological, age ("You may be 40, but because of your health and lifestyle, you have the body of a 50 year old."). There is little publicly available data on how many members have high risk ages, how much their risk ages exceed their actual ages, and how successful they are improving their health and reducing their risk ages. We assumed that 60% of adult members will have risk ages 5 years higher than actual ages, and that about a third of them will be successful in reducing their risk ages down to their actual ages over four years. Under these assumptions, the projected claims reductions start at 0.5% in Year 2 and gradually increase by year, leveling off at 1.6%. In dollars, the savings are $3.2 million in Year 2, increasing to $15.8 million by Year 6, or $52.7 million over the first 6 years.

VIII. Mandatory Pool, Voluntary Pool, Standard Plans Only

MANDATORY VS. VOLUNTARY

Exhibit 17 presents a summary of the advantages and disadvantages of the mandatory pool versus the voluntary pool. Exhibit 14 presents a numerical comparison. The differences can be grouped into the "three C's": **C**ost, **C**ontrol, and **C**ontinuity of rates.

1. **Cost**: A mandatory pool, encompassing all districts, would be much larger than a voluntary pool. Because of its smaller size, the voluntary pool's fixed pool management expenses are a greater percentage of its claims. In our projections, we assumed that a voluntary pool might start out with 20% of the school members, growing to an ultimate size of 60% by Year 3. If the voluntary pool cannot achieve these levels of market penetration, its fixed costs will be an even greater percentage of claims.

   We would expect that a larger mandatory pool would have more "clout" to get the best deals from administrators, stop loss carriers, PBMs, and other vendors. In their RFI responses, some carriers quoted higher PMPM voluntary pool expenses, because of the pool's smaller size. Also note that the voluntary pool expenses in our projection assume it offers only a limited menu of plans. This may not be possible unless the state mandates these plan designs. If the rest of the marketplace still offers a wide variety of designs, then the voluntary pool will likely have to do the same, in order to stay competitive. A larger menu of plans would then add additional administrative cost beyond the level we assumed in Exhibit 14. We estimate that this additional cost is 0.4% of claims.

   A voluntary pool operating in a competitive environment will need to underwrite and competitively rate its groups in every year of operation. The pool will also need a market or sales unit to promote its coverage and present renewals to groups. These create more expenses. We also assume that districts that now use agents and brokers will continue to do so in the voluntary scenario, so there would be no reduction in commissions from the current level.

   There are successful, voluntary pools in other states that use the same rates by plan for all groups (see Exhibit 4.2). In particular, Oklahoma appears to have a voluntary pool that covers, in their words, "99% of the districts." Tennessee's voluntary pool uses a single rate, but our contact told us that anti-selection is starting to occur and recommends some experience rating. Wisconsin does have a county-based rated pool that's been in operation for some time for districts with less than 500 employees. However, districts in the Wisconsin pool never get to see their experience, effectively preventing all but the smallest districts from ever shopping their coverage. We note that the Wisconsin plan is really a licensed health insurer with connections to the Wisconsin Education Association.

Mandatory Pool, Voluntary Pool, Standard Plans Only (cont'd)

Most voluntary pools base their rates at least in part on each group's own experience and demographics. In a health insurance market like Minnesota's, we believe that a voluntary pool will need to develop underwriting and rating practices that conform to some degree to its competitors' methods.

Since a voluntary pool will be smaller than the mandatory pool, the voluntary pool will not be able to take as much individual high claim risk as a mandatory pool can. It will have to purchase specific stop loss at a lower attachment point and at a higher net cost. In our cost projection, we assume that stop loss for a voluntary pool would start out at a $250,000 to $300,000 attachment point, increasing over the years at half the trend rate. This lower attachment point adds to the cost of the voluntary pool.

A voluntary pool has more "business risk" than a mandatory pool. It is more difficult for a voluntary pool to recover any losses, because its better groups may not be willing to pay a higher premium margin in future years to cover the past losses of the pool. This is why the voluntary pool needs a higher stabilization reserve. We assume this reserve will be 11.8% of claims, versus 9.8% for the mandatory pool, with a build up of 7% in Year 1 and the rest in Year 2. After that, a voluntary pool should build in a small contribution to reserves each year. Getting to this level will be difficult in a voluntary market, since competing carriers can quote their rates using their normal 2% to 2.5% annual contributions to reserves.

If the voluntary pool does not attain sufficient size, it faces the choice of bearing more risk, relative to its size, or obtaining aggregate stop loss protection, which adds to its operating costs.

Without considering the added cost of aggregate stop loss, we project that a voluntary pool will have "structural" costs (administrative, risk, and net stop loss) that are 24% higher than the mandatory pool will have; this difference is equivalent to 1.5% of total plan costs over the 6 years of the projection. The difference is large in Year 1, 2.7% of total costs, due to the voluntary pool's extra stabilization reserve build up, then levels off to 1.2% to 1.3% in Years 2-6.

Regarding the overall level of cost increases experienced by the entire pool, the experience we received from other states' plans does not indicate any difference in between mandatory and voluntary pools, based on the information we received from other states' plans. This would imply that, while the mandatory nature of the pool may solve the problem of wide rate swings by group, it does not by itself yield lower overall cost trend for the entire pool.

Mandatory Pool, Voluntary Pool, Standard Plans Only (cont'd)

However, in combination with the multiple provider tiers in prototype Plan 1 and CDHP A and B, a mandatory pool may have more leverage than a voluntary pool in provider fee schedule negotiations. It has been DOER's experience that some providers desire to be in the Level 1 (lowest copays and deductible) of the Minnesota Advantage Plan, in order to attract more members. These providers then agree to lower reimbursement rates, which reduces future costs and trends. While a voluntary pool can also have plans with multiple provider levels, it would not have the size and therefore not as much negotiating strength as a mandatory pool would have.

2. **Control**: The voluntary pool preserves each district's freedom to choose its own plan and carrier. A large or medium size district with low claims, at least for a particular time period, generally wants to take full advantage of this fact for as long as its claims stay low. In a market where carriers want to increase their market shares, a district like this is able to attract competitive bids, and a voluntary pool would also have to reflect the district's experience to some degree in its rates to stay competitive. A mandatory pool typically maintains very limited rate variation among districts within a region, so that a district with historically low claims would pay close to the same premium as one with high claims.

   A particular carrier may have a competitive advantage in a year, because of the timing of its provider contracting or its use of new technology. In a voluntary market, an individual district has the flexibility to switch to such a carrier immediately. In practice, of course, school districts, like most groups, do not like to change carriers frequently and will often wait until the potential savings from a change are high enough to justify the switch. Provider contracting levels and technological advances often spread to other competitors in the market, including a new pool, so that the playing field evens out over time.

3. **Continuity of rates**: After an initial phase-in period of 2 years, during which time the pool would recognize some or all of each district's past experience, a mandatory pool could then move to full or modified pool rating. This means it could charge all districts either the same rate for the same plan or, as we suggest, rates that vary within a very narrow range, such as between –5% and +5% of the pool-wide mean. The mandatory pool is able to do this, because districts must stay in the pool.

   For those districts with relatively low claims, the downside is that they will pay higher rates than what would normally be available to them in a voluntary market, at least as long as their claims stay low. On the other hand, districts with high claims will pay less in a mandatory pool setting than they would in the open market.

Mandatory Pool, Voluntary Pool, Standard Plans Only (cont'd)

> Most groups, especially the smaller ones, go through alternating cycles of low claims and high claims. In the current market rating approach, rates for a particular group could swing widely—some years with little or no rate increase, some years with very large increases much higher than trend. As we mention above, a voluntary pool cannot solve this rate volatility problem the way a mandatory pool can. If a voluntary pool tries to limit the degree to which it recognizes each group's experience in its rating, it runs the risk of losing its better groups to competing carriers who fully recognize experience. Indeed, many risk pools that attempted full or limited pool-wide rating in an open market went into death spirals—groups with low claims left, causing the pool to increase its rates, causing more groups to leave, causing even more rate increases, etc.

If a new voluntary pool is set up, it will need to establish rules and criteria for districts to enter, leave, and re-enter the pool. A voluntary pool may not want to allow any of its groups to pay employees cash in lieu of coverage. As we mention above, in a competitive environment, a voluntary pool may not be able to build into its rates the entire amount needed to achieve full its stabilization reserve within the first 2 or 3 years of operation. Instead, the pool may choose to include a much smaller annual contribution to reserves into its rates and levy an assessment on any district that chooses to leave the pool. The amount of this termination assessment would equal the district's remaining unpaid "share" of the stabilization reserve. Districts that leave after a few years in the pool would pay a higher termination assessment than districts that have been in the pool many years.

Finally, a voluntary pool would have to distinguish itself in a marketplace that already has two voluntary pool alternatives for school districts – the Service Cooperatives and PEIP. Both of these existing pool alternatives are self-funded, so they have no premium taxes and MCHA assessments.

STANDARD PLANS ONLY

An alternative to establishing a new risk pool, either on a mandatory or voluntary basis, is just to mandate a limited set of plan designs that districts must offer to their employees and retirees. Based on limited information from current carriers, this action would reduce administrative expenses slightly, by approximately 0.4%, compared to the current situation where almost every one of the carrier's plans, and even some customization, is available. There would be no reduction in contributions to reserves, and we do not anticipate there would be any less reliance on commissioned or fee-based brokers. Furthermore, we anticipate that districts now fully insured would remain that way. Hence, there would be no premium tax and MCHA assessment reduction. Note that the 0.4% cost reduction is from "structural" pool features only – administration, contributions to reserves, other retention, and stop loss. Any cost reductions from the new prototype plan designs themselves are additional. Please see Exhibit 14 for full detail.

IX. Employee and Retiree Contributions; Cash In Lieu of Coverage; Part-Timers

EMPLOYEE AND RETIREE CONTRIBUTIONS

Exhibit 18 shows our estimate of the average levels of employee and retiree contributions for coverage from payroll and pension deductions during the 2001-02 period. This exhibit is based on responses from our data request to districts. Several districts did not respond, and many others did not make a clear distinction between actives and retirees. Therefore, we analyzed the responses with the most detailed information and extrapolated these data to the responses we received from all districts. Based on comments from Committee members, we understand that these contribution levels have probably not changed significantly since 2001-02.

As we mention above, less than half of the data had an active-retiree split. However, we believe the available data are a reasonable, unbiased approximation of the true overall split. The levels of employee contributions come from responses by school districts to our data request.

Active school district employees pay an estimated average of 1.5% of the cost of single coverage and 21.5% of the cost of family coverage. The large majority of districts have at least one health plan choice that does not require employee contributions for single coverage. From a national survey conducted by the Kaiser Family Foundation, the average shares of the cost of coverage that all U.S. workers pay are 15.0% for single coverage and 26.7% for family coverage.

School district retirees pay an average of 59% of the cost of their coverage. This percentage is nearly the same for single and family coverage. The policies regarding employer contributions to retiree coverage differ widely by district. In many cases, retirees use severance payments to cover their share of the cost. We have no comparable national data on retiree contributions; coverage of retirees in the group plan is not common among non-government employers.

There are two key points on how these employee and retiree contributions relate to a possible new statewide pool and new benefit plans:

1. The districts bear nearly all of the increase in active employees' costs. And unless active employee contributions, mainly for family coverage, increase at the same or higher rate as underlying costs, then the employers' share will increase even faster.

   Most districts that switch to a CDHP will experience a decrease in their health insurance costs. For example, we project that CDHP A has claims that are 21% less than the average claims of current plans in Year 1 (not counting the HRA deposits). Districts choosing the CDHP will need to determine how much of the cost reduction from the switch will offset other rate changes, how much the district will retain, and how much will ultimately go into the employees' HRAs.

Employee and Retiree Contributions; Cash In Lieu of Coverage; Part-Timers (cont'd)

2. A district should be able to find one of the new prototype Plans 1-4 that's close to what it now offers. The features of Plans 1-4 involve slightly more cost sharing than similar common plans, in order to give districts the opportunity to update their plans' benefit values and to hold down costs. For example, Plan 1 has office visit copays but coinsurance on hospital expenses. Plan 3 has a $600 in-network deductible, versus the more common $500.

3. The higher retiree contribution rate is another reason to offer early retirees one or more additional, lower cost plan options, as shown in Exhibit 9.4. A plan such as this one will be more affordable to early retirees and will encourage them to purchase an individual Medicare supplement policy when they turn 65.

CASH IN LIEU OF COVERAGE

Several districts provide a payment to employees who waive coverage. Our data request to districts asked for information about employees who waive coverage, but only 62 districts provided a response to this question. Twenty-four of these 62 districts stated that they did pay cash in lieu of coverage, and gave the amounts. Anecdotal information suggests that the practice is more common than this. We do not know if the low response to this question is due to few districts paying cash in lieu or to many districts not answering that do pay.

Cash in lieu is a good deal for the employees who get the cash, often in the form of employer contributions to those employees' flexible spending accounts (FSAs). These employees are almost all covered by their spouses' plans. Cash in lieu also saves the districts money, since the amount they pay or deposit to the employees' FSAs is usually less than the single premium or self-funded cost of single coverage.

However, cash in lieu is not good for a carrier or risk pool that prospectively sets each district's premium rate. Employees who take the cash are almost always the healthier ones. If the carrier or risk pool anticipates covering a particular group of employees but a significant number of these employees with low claims exit the group plan, then the carrier or risk pool gets less premium but not proportionally less claims, and it loses money. If more employees opt out of coverage the next year, then the carrier's or risk pool's losses continue, even if it factors into its rates the previous year's experience.

Employee and Retiree Contributions; Cash In Lieu of Coverage; Part-Timers (cont'd)

Exhibit 19 provides a very simplified example of why this happens. In this illustration, 15% of employees opt for the cash in Year 1. We assume these are the employees with the lowest claims, 40% less than the average of the group. With their departure from the plan, the remaining 85% of the employees have claims 7.1% higher than the entire original group. If a pool sets its premiums prospectively, assuming it will cover the entire original group, then its rates will be 7.1% too low. In other words, the pool will get 15% less premium but only 9% less claims and expenses. If there is an additional departure of employees in Year 2, the pool will continue to lose money, even if sets its Year 2 rates based on Year 1's higher claims per covered employee.
For this reason, a new pool, either a mandatory or voluntary one, may want to consider not allowing its districts to offer employees cash in lieu of coverage.

COVERAGE FOR PART-TIME EMPLOYEES

School districts have varying rules on the minimum number of working hours required for a part-time employee to get coverage through the group. There are some districts that allow employees working as little as 15 hours per week to join their plans. As the required number of hours decreases, the likelihood increases that the group will attract part-time employees who are seeking employment mainly to get health coverage. These people tend to have higher than average claims, so the overall plan cost increases.

For all pools, but particularly for a mandatory risk pool that uses essentially regional pool-wide rates with minimal variation by district, it is important that the pool establishes and enforces consistent requirements for minimum working hours in order for part-timers to receive coverage. A common requirement in the commercial market is a minimum of 20 hours per week.

X. Regional and Transition Issues

REGIONALIZATION

Regional Rating

We envision a methodology in which the pool divides the state into 6 rating regions. These regions are shown, by county, in Exhibit 2.1 and follow the Regional Coordinating Boards set up by the Minnesota Department of Health.

We feel that regionalizing the rating increases the likelihood that districts will "buy-in" to the pool concept, because it groups them with similar districts and gives them more control over factors that can affect their rates. As an example of this control, districts in a particular area can jointly sponsor regional wellness fairs and contract with local fitness centers.

If a particular region has an experience deficit in a year, the statewide pool could either:

1. Offset the deficits with gains from other regions, or
2. Charge the region's districts more in the next year to cover the deficit, or
3. Blend (1) and (2)

Statewide Pool versus Independent Regional Pools

This report analyzes the concept of a single statewide risk pool. The pool would have a single administrator, central internal administration, and a single stop loss contract covering all districts.

It is possible to have fully independent regional pools. In this scenario, each regional pool would have its own administration, stop loss, and other vendors. We believe this would add costs without appreciably increasing any regional control beyond the level that regional rating alone would achieve. The added costs of fully independent regional pools are:

- Higher administration costs, both from carriers and from internal pool operations. Fixed costs would be duplicated by region and spread over smaller memberships. This could add another 1% to overall costs.

- Higher stop loss cost. The smaller, regional pools may require lower attachment points. This would increase costs by 0.3%. If the regional pools were mandatory, then we still do not believe aggregate stop loss would be necessary.

- Possibly higher stabilization reserve, because there would be more year-to-year fluctuations in six regional pools than in one statewide pool.

Regional and Transition Issues (cont'd)

TRANSITIONAL RATING BY REGION

One advantage of moving to a mandatory risk pool is to smooth out the large year-to-year rate changes that individual districts now experience in the current open market. Smaller districts' experience, in particular, can exhibit a significant variance by year, causing little or no rate change in one year and a very large change the next. With pool-wide rating, all districts in the same region and having the same plan would pay the same rate, or at least have rates that vary only within a narrow range.

The difficulty with getting to pool-wide rating is the current wide variation of rates by district, which exists if we group districts by region (to remove as much geographical cost variation as possible) and adjust each district's rates to a common benefit plan level. Exhibit 20.1 shows the districts by region, arrayed from lowest to highest PMPM premiums or, if self-funded, premium equivalents. We adjusted all of these premiums to reflect new proposed Plan 1. In each region, the variations from lowest to highest are all greater than 2:1. Although smaller districts tend to be at both the high and low rate extremes, there are some larger districts among the highest and lowest rated groups.

An immediate transition from the current arrangements to pool-wide rating could create major rating discontinuities by district. Low claim districts would pay considerably more, and high claim districts would pay much less. There is no way to eliminate the discontinuities completely, but a 4-year phase in of pool-wide rating can soften the impact.

Exhibit 20.1 illustrates how this phase in would work. In Year 1, the pool would rate all districts using a blend of experience and manual rates, similar to the way current carriers rate these groups. The only difference is that all districts would transition to one or more of the new plans, presumably those that are closest to existing plans. In this exhibit, for simplicity, we assume all districts transition to new Plan 1 only. The rates would reflect cost reductions from lower pool retentions and stop loss cost and the impact of the plan changes. Otherwise, the districts would have Year 1 rates similar to what they would pay with their current arrangements. The Year 1 rating allows the pool to get started and build up a base of experience from which to establish its initial pool-wide brackets in Year 2.

For Year 2, the pool would project a mean pool-wide rate by plan and by region and establish several rate brackets. In Exhibit 20.1, we use 5 brackets for Year 2: mean minus 15%, mean minus 7.5%, mean, mean plus 7.5%, and mean plus 15%. Based on each district's Year 1 rate and experience, the pool would place the district in one of the 5 brackets. For the large majority of districts, the bracketing causes a rate change of less than plus or minus 5%. However, there are 25 districts where the bracketing causes a rate swing more than 15%; for these districts, the pool would modify its Year 2 rating so that the change due to bracketing would not exceed 15%.

Regional and Transition Issues (cont'd)

The pool would repeat this process in Year 3, except that the 5 brackets are narrower; in the exhibit, they are mean minus 10%, mean minus 5%, mean, mean plus 5%, and mean plus 10%. By Year 3, the narrower range of rates should be more acceptable to districts, because:

- The pool will have implemented uniform policies on cash in lieu of coverage and part-timer coverage.
- The large reduction in contributions to the stabilization reserve will start in Year 3, which will offset part of the normal cost trend and moderate costs for all districts.
- The impact of wellness initiatives should start to be apparent in the pool's experience.
- With the exception of a few large districts, the experience of most districts will fluctuate from year-to-year, and eventually there will be years of high claims and large rate increases. Most districts understand that their favorable experience does not continue indefinitely.

The pool would base its Year 3 rating more on the pool's overall mean rate for the region and much less on each district's experience. The rates would include incentives for districts that fully cooperate with the pool's wellness and consumer education initiatives and achieve target levels of employee participation, and surcharges if the district does not follow policies on cash in lieu and part-timer coverage.

Year 4 is the final transition year, in which the pool narrows its rate variation to the level it will continue to use in all future years. We illustrate in Exhibit 20.1 just 3 rate brackets: mean minus 5%, mean, and mean plus 5%. At this point, each district's rate may be based entirely on the pool-wide mean rates and on the incentives and surcharges mentioned above for Year 3.

Exhibit 20.2 summarizes the results of the transition process. For each region, we grouped the districts in bands based on their Year 1 rates for Plan 1, which are calculated similarly to what current carriers would do. As in Exhibit 20.1, we assume here, for illustration purposes, that all districts go to Plan 1. The brackets are expressed as percentages of the average rate in the region.

We then follow the districts in each bracket over the next 3 years. Through the bracketing process that starts in Year 2, the rate spread between the lowest and highest cost districts becomes progressively smaller. By Year 4, nearly all of the districts' premiums are essentially within the recommended 10% final range, except for a few districts that started out at very high or low rates and may need additional transition time.

Exhibit 20.3 illustrates how districts could choose or change plans. In this illustration, a district in Year 1 would choose a new prototype plan that has the closest premium to its current premium. In Year 2, the district may choose another plan, if the process of narrowing the rate brackets causes the district's rates to increase too much.

Regional and Transition Issues (cont'd)

As an example, consider district with ID number 4 (not its ISD number) in Region 1 (see Exhibit 20.3). Its Year 1 premium under its current benefit plan would be $224.19 PMPM. The new prototype plan with the closest premium is Plan 1, with a premium of $214.19 PMPM. This rate reflects, to some extent, District 4's favorable experience and is lower than the average rate for Plan 1 in Region1.

In Year 2, the pool starts using rate brackets to bring all rates closer to the regional average rates. With the narrowing rate brackets, District 4's rate for Plan 1 increases in Year 2 by 20.2% to $257.49, or 7% more than the pool-wide increase for the plan. To minimize the impact of the narrowing rate bracket, District 4 could switch to Plan 2, which reduces its rate to $237.22.

These exhibits illustrate one way that a transition to pool-wide rating could work. Whatever method the pool uses should minimize large year-to-date rate discontinuities for as many districts as possible.

POOL START UP ISSUES

Pool Management

The first step would be appointment of a continuing advisory board. This should occur as quickly as possible after legislative approval. The board would then need to:

- Finalize plan designs.
- Draft the request for proposals (RFPs) to send to vendors for administrative services, PBM, stop loss coverage, banking and investments, health risk appraisals and other wellness activities, and consumer education. Considering the timing of legislative approval, the lead-time for RFPs, and the need to set up internal governance, July 1, 2005 is likely to be the earliest possible date that a pool could be operational.
- Evaluate the responses to the RFPs, choose vendors, and negotiate costs and services with them.
- Set up financial functions, such as banking arrangements and investments for reserves.
- Set up oversight of the pool and an auditing function.
- Determine the best way to communicate plan designs, rates, and other pool matters to the districts, and set up appropriate communication tools and staff.
- Choose consultants.

Regional and Transition Issues (cont'd)

Data Warehouse

Management of a pool requires continual review and analysis of experience. Building and maintaining a data warehouse is therefore an important activity. The carrier chosen to administer claims for the pool will normally collect data on all of its claims and members. If the pool chooses a PBM that is not connected to its administrating carrier, it will have to integrate the prescription drug claims with the medical claims into a single data source.
The administering carrier should be able to provide regular standard reporting from its claims database, including various claim lag studies from which the pool determines its claim reserves. A fully functional data warehouse would allow the pool's management to query the database for ad hoc studies and non-standard reports. The $3 million of extra first year expenses we included in our projection for a new pool should cover the cost of setting up this data warehouse.

Timing of Entry by Districts

The large majority of districts have plan years that start on July 1. A significant number of plan years start on September 1 or October 1; a few start on January 1 or other dates. If a new mandatory pool were to start on July 1, 2005, then we assume that all districts with a July 1 renewal date would be required to join the pool on that date. Other districts would join at their next renewal dates.

Rate Calculations

The pool will need to establish each district's initial rates under various plans of benefits. This will require the pool to obtain past claims experience from the current carriers. The potential pool administrators that responded to the RFI have staff underwriters who can determine rates; alternatively, the pool can retain temporary underwriters to do this.

Start-Up Expenses

As we mention above, the carriers responding to the RFI said that their quoted annual fees include their own start-up expenses. We assume that the pool management will have $3 million of start-up expense in addition to normal annual expenses.

At the start, the pool will have to work with the districts to:

- Explain the new plans and the impact that plan changes have on the district's employees now in various current plans. This is especially important for districts choosing the consumer driven plan with the HRA.

- Set up automated premium payments from the districts to the pool.

- Review the process by which the pool sets each district's rates, including transitional arrangements to reduce large rate discontinuities.

Regional and Transition Issues (cont'd)

- Present to employees the new health risk appraisals and consumer education resources.

- Obtain the district's past experience from the current carrier.

XI. Summary and Conclusion

Based on our analysis, we believe that creating a new school employee and retiree health insurance risk pool, that would include all school districts on a mandatory basis, is feasible. There are carriers and TPAs that can administer a statewide plan and provide specific stop loss coverage cost-effectively. Although the pool structure by itself does not guarantee overall cost trends, a mandatory pool can eliminate, or at least greatly reduce, the large year-to-year rate swings that many districts now experience.

There are currently large variations in health insurance costs by district, even if they are adjusted for plan and geographical variations. An immediate transition to pool-wide rating creates many "winners and losers" among the districts. There is no way to eliminate this effect completely, but a multi-year, gradual phase-in of pool-wide rating on a regional basis, with a small degree of permanent variation by district and region, greatly reduces any rate discontinuities caused by the transition to the pool.

Without considering the cost impact of benefit plan changes or wellness and consumer education initiatives, our analysis indicates that a new mandatory pool can reduce overall costs from the current arrangements by 4.1%, or $223 million, during its initial six years of operation. The cost reductions are 0.9% to 1.3% in Years 1-2, due to start-up expenses and the need to build up a stabilization reserve, then grow to 5.3% each year starting in Year 3. In addition, the pool can capture all of the investment income on its claim and stabilization reserves. The pool may also be able to achieve some small savings (estimated to be less than 0.2%) by directly contracting with a PBM and by increasing the difference between formulary and non-formulary copays.

The new mandatory pool expense levels assume that the pool will offer a limited number of plans. A menu of five plans should be sufficient: 4 plans that are similar to the ones that the large majority of districts now have, and one consumer driven plan with an HRA feature. Depending on how quickly districts and their employees embrace the CDHP, it could become the main plan after a transition period. The pool can offer variations of the CDHP tailored for retirees and to take full advantage of the new federal law on health savings accounts.

The CDHP offers a financial incentive for members to be careful health care consumers and to improve their health habits and lifestyles. A new pool should make sure that its health plan administrator, PBM, and other vendors provide on-line consumer education tools that allow members to compare treatment alternatives, provider credentials, and costs. Several current carriers have on-line tools that already provide much of this information.

The key to achieving more cost savings from health improvement initiatives is to significantly increase the use of health risk appraisals. These appraisals are currently available, and there is much that the districts can do now to increase their use. A mandatory pool has the ability to build in financial incentives for both districts and their employees to sponsor, promote, and actively engage in the health risk appraisal and health improvement process.

Summary and Conclusion (cont'd)

A voluntary pool, which competes with existing carriers and funding arrangements, would have overall costs that are 2.6% less than the overall average costs of the current arrangements during the initial six years of operation. However, even this reduction assumes that:

- The voluntary pool can achieve a 60% share of the school district market by its third year of operation,
- The pool will not need aggregate stop loss, which would add to its total cost, and
- The pool can offer a limited menu of plans and still compete with other options.

✧ ✧ ✧ ✧ ✧ ✧

In this study, we have focused on feasibility, cost, and structure—both of a new pool itself and of the plans and wellness programs a new pool would offer. Some features can be implemented by the districts and their carriers now, such as plan design changes. Some features are unique to a mandatory pool, such as retention and stop loss cost reductions and eliminating large rate swings by district. There is still the basic question of the value and overall cost savings of a single risk pool versus the freedom of choice that each district now has. Beyond just the numbers, this question will involve intangible considerations that cannot be fully addressed by this or any actuarial analysis.

EXHIBITS

Exhibit 1.1

Member Census: Average During Period 7/1/01 to 6/30/02

Ages	No Gender Specified	Female	Male	Total
0	2,832			2,832
1	1,927			1,927
2 to 4	5,707			5,707
5 to 9	10,173			10,173
10 to 14	13,086			13,086
15 to 19		7,493	7,609	15,102
20 to 24		7,447	5,837	13,284
25 to 29		7,143	3,734	10,877
30 to 34		7,874	5,060	12,934
35 to 39		7,955	5,420	13,375
40 to 44		9,731	6,302	16,033
45 to 49		12,178	7,801	19,979
50 to 54		14,319	9,670	23,989
55 to 59		10,130	7,830	17,960
60 to 64		6,823	5,551	12,374
65 and over		4,179	3,489	7,668
Total	33,725	95,272	68,303	197,300

Exhibit 1.2
Comparison of School District Member Distribution by Age
Adult Members Under Age 65 Only

Age	School District Members			Average Commercial Population		
	Male	Female	Total	Male	Female	Total
20 to 24	4.1%	5.3%	9.4%	4.5%	4.8%	9.3%
25 to 29	2.7%	5.1%	7.7%	4.9%	5.3%	10.3%
30 to 34	3.6%	5.6%	9.2%	6.3%	6.6%	12.9%
35 to 39	3.8%	5.6%	9.5%	7.1%	7.3%	14.3%
40 to 44	4.5%	6.9%	11.4%	7.3%	7.7%	14.9%
45 to 49	5.5%	8.6%	14.2%	6.6%	7.0%	13.6%
50 to 54	6.9%	10.2%	17.0%	5.7%	6.1%	11.8%
55 to 59	5.6%	7.2%	12.8%	3.9%	4.0%	7.9%
60 to 64	3.9%	4.8%	8.8%	2.5%	2.4%	5.0%
Total	**40.6%**	**59.4%**	**100.0%**	**48.8%**	**51.2%**	**100.0%**
Average Age			44 Yrs			41 Yrs

Exhibit 2.1

Draft Version for discussion: Has not been completely peer-reviewed

Preliminary Definitions of School District Regions

Region 1	Region 2	Region 3	Region 4	Region 5	Region 6
Becker	Aitkin	Benton	Anoka	Big Stone	Dodge
Beltrami	Carlton	Cass	Carver	Blue Earth	Fillmore
Clay	Cook	Chisago	Dakota	Brown	Freeborn
Clearwater	Itasca	Crow Wing	Hennepin	Chippewa	Goodhue
Hubbard	Kanabec	Douglas	Ramsey	Cottonwood	Houston
Kittson	Koochiching	Grant	Scott	Faribault	Mower
Lake of the Woods	Lake	Isanti	Washington	Jackson	Olmsted
Mahnomen	Pine	Mille Lacs		Kandiyohi	Rice
Marshal	St. Louis	Morrison		Lac Qui Parle	Steele
Norman		Otter Tail		Le Sueur	Wabasha
Pennington		Pope		Lincoln	Winona
Polk		Sherburne		Lyon	
Red Lake		Stearns		Martin	
Roseau		Stevens		McLeod	
Wilkin		Todd		Meeker	
		Traverse		Murray	
		Wadena		Nicollet	
		Wright		Nobles	
				Pipestone	
				Redwood	
				Renville	
				Rock	
				Sibley	
				Swift	
				Waseca	
				Watonwan	
				Yellow Medicine	

These regions are the same as the Regional Coordinating Boards.

Exhibit 2.2

Members and Claims by Region for July 2001 through June 2002

Region #	Region Name	Members	%	Claims	%
1	Northwest	11,240	5.5%	$25,243,690	5.1%
2	Northeast	16,703	8.2%	45,890,260	9.3%
3	Central	30,823	15.2%	65,757,807	13.4%
4	Metro	104,824	51.7%	260,590,536	53.0%
5	Southwest	22,308	11.0%	48,264,758	9.8%
6	Southeast	16,238	8.0%	43,858,047	8.9%
Unknown		610	0.3%	1,789,319	0.4%
Total		202,747	100.0%	$491,394,418	100.0%

Exhibit 3

Cost Comparison of School Members to Average Commercial Population
July 2001 - June 2002

Service Category	Units	ISD Population < 65				Expected for Commercial Plan *			% Difference	
		Utilization Per 1000 members	Allowed Cost per Unit	Allowed PMPM		Utilization Per 1000 members	Allowed Cost per Unit	Allowed PMPM	Utilization	Allowed PMPM
Inpatient	Inpatient days	267	$1,876	$41.73		295	$1,564	$38.42	-9.6%	8.6%
Outpatient	Procedures	758		$35.60		782		$31.85	-3.0%	11.8%
Hospital				$77.33				$70.26		10.1%
Physician	Office visits	15,748		$90.42		12,675		$75.64	24.2%	19.5%
Pharmacy	Drugs filled	9,020	$64.50	$48.48		12,060	$45.42	$45.65	-25.2%	6.2%
Total				$216.23				$191.55		12.9%

* Adjusted to school districts' demographics or geographical spread.

Note: Totals between exhibits may not be the same due to some carriers and some small service lines not being included in all exhibits.

Exhibit 4

School District Claims For Members Under Age 65 by Service Category
July 2001 Through June 2002

	Number of Days or Claims	Allowed Claims	Member Cost Share	Paid Claims	% of Total Claims
Hospital Inpatient					
Medical	15,239	$32,728,920	$524,142	$32,204,778	7.23%
Surgical	11,405	38,727,870	438,760	38,289,110	8.60%
Deliveries	5,947	8,094,584	346,530	7,748,054	1.74%
Normal Birth	3,626	3,069,864	78,280	2,991,585	0.67%
Complex Newborn	1,877	3,782,905	20,822	3,762,082	0.84%
Transplants	330	2,002,724	81	2,002,642	0.45%
Substance Abuse	2,067	898,267	29,226	869,040	0.20%
Mental Health	6,822	4,090,656	57,361	4,033,294	0.91%
Special Nursing Facility	2,823	715,725	25,454	690,271	0.16%
Ungroupable	560	819,052	2,959	816,093	0.18%
Subtotal Hospital Inpatient	50,696	$94,930,565	$1,523,615	$93,406,950	20.98%
Hospital Outpatient					
Emergency Room	13,196	$8,908,241	$779,165	$8,129,076	1.83%
Laboratory	27,249	6,195,454	520,934	5,674,520	1.27%
Radiology	28,541	12,045,777	934,810	11,110,966	2.50%
Observation	997	885,622	23,713	861,909	0.19%
Other	65,650	39,913,295	2,575,092	37,338,204	8.39%
Surgery	9,001	13,034,704	462,160	12,572,545	2.82%
Subtotal Hospital Outpatient	144,634	$80,983,094	$5,295,874	$75,687,220	17.00%
Physician/Other Services					
Surgery - Non-Maternity	126,117	$35,218,575	$1,845,036	$33,373,539	7.49%
Surgery - Maternity - Non-Delivery	3,930	1,067,769	10,422	1,057,347	0.24%
Surgery - Maternity - Delivery	2,834	4,196,045	124,180	4,071,864	0.91%
Anesthesia	22,538	8,084,950	312,130	7,772,820	1.75%
Radiology	230,165	23,884,573	1,331,924	22,552,649	5.06%
Pathology/Lab	726,734	17,685,696	1,531,697	16,153,999	3.63%
Office Visits	513,467	33,570,267	8,406,121	25,164,146	5.65%
Preventive Medicine	79,827	9,150,362	189,634	8,960,729	2.01%
Inpatient Hospital Visits	37,634	3,493,809	116,160	3,377,650	0.76%
Consultations	43,178	6,285,758	876,768	5,408,990	1.21%
Emergency Room/Critical Care	26,415	2,732,453	206,207	2,526,246	0.57%
Psychiatry and Biofeedback	83,320	7,713,225	1,607,631	6,105,594	1.37%
Ophthalmology - Exams	47,883	3,820,219	274,553	3,545,666	0.80%
Ophthalmology - Services	42,861	1,571,162	98,226	1,472,936	0.33%
Cardiovascular	48,542	4,697,799	290,990	4,406,809	0.99%
Allergy	45,089	1,854,290	145,788	1,708,502	0.38%
Immunizations/Injections	134,594	3,374,541	46,300	3,328,241	0.75%
Physical Medicine	139,759	5,360,843	805,208	4,555,635	1.02%
Accidental Dental	4,948	1,434,066	328,017	1,106,049	0.25%
Ambulance	6,591	1,560,840	190,114	1,370,726	0.31%
Durable Medical Equipment	28,739	3,985,425	626,730	3,358,695	0.75%
Home Health	2,502	1,782,940	51,866	1,731,073	0.39%
Chiropractor	227,894	4,620,819	1,553,618	3,067,202	0.69%
Miscellaneous	365,407	18,310,421	1,089,400	17,221,021	3.87%
Not Available	3,216	246,697	19,314	227,383	0.05%
Subtotal Physician/Other	2,994,184	$205,703,544	$22,078,034	$183,625,510	41.24%
Prescription Drugs	1,711,157	$110,286,492	$17,712,862	$92,573,630	20.79%
Grand Total		$491,903,695	$46,610,386	$445,293,309	100.00%
Member Months: 2,274,948	PMPM amts:	$216.23	9.48%	$195.74	

Exhibit 5

Large Claims by Member by Year

		2000-2001					
Claim Level		Member-Months =	2,363,161				
From	To	Members	Total Net Paid Benefits	Members With Claims in Year Exceeding "From"	Total Claims of Members With Claims in Year Exceeding "From"	Claims In Excess of "From" Level	Previous Column as % of Total Claims
$ -	$ 99,999	232,525	$393,425,794	232,682	$422,409,826	$422,409,826	100.0%
100,000	199,999	118	16,067,072	157	28,984,032	13,284,032	3.1%
200,000	299,999	20	4,890,489	39	12,916,961	5,116,961	1.2%
300,000	399,999	8	2,649,149	19	8,026,472	2,326,472	0.6%
400,000	499,999	8	3,515,154	11	5,377,323	977,323	0.2%
500,000	599,999	1	592,402	3	1,862,169	362,169	0.1%
600,000	699,999	2	1,269,767	2	1,269,767	69,767	0.0%
700,000	799,999	0	0	0	0	0	0.0%
800,000	899,999	0	0	0	0	0	0.0%
900,000	999,999	0	0	0	0	0	0.0%
1,000,000	and over	0	0	0	0	0	0.0%

		2001-2002					
Claim Level		Member-Months =	2,367,053				
From	To	Members	Total Net Paid Benefits	Members With Claims in Year Exceeding "From"	Total Claims of Members With Claims in Year Exceeding "From"	Claims In Excess of "From" Level	Previous Column as % of Total Claims
$ -	$ 99,999	232,875	440,703,167	233,065	$475,223,579	$475,223,579	100.0%
100,000	199,999	136	18,430,517	190	34,520,412	15,520,412	3.3%
200,000	299,999	36	8,625,107	54	16,089,895	5,289,895	1.1%
300,000	399,999	8	2,764,788	18	7,464,788	2,064,788	0.4%
400,000	499,999	8	3,343,604	10	4,700,000	700,000	0.1%
500,000	599,999	0	0	2	1,356,397	356,397	0.1%
600,000	699,999	1	620,484	2	1,356,397	156,397	0.0%
700,000	799,999	1	735,912	1	735,912	35,912	0.0%
800,000	899,999	0	0	0	0	0	0.0%
900,000	999,999	0	0	0	0	0	0.0%
1,000,000	and over	0	0	0	0	0	0.0%

Note: Member counts do not equal those in Exhibits A and B, because detailed claim data was not available on all groups. In particular, the number of members with claims is much larger, because many such members are not covered for a full year.

Exhibit 6

Sampling of 2001-02 Claims by Diagnosis Category

(Categories with larger than average prevalence are in bold)

	School District Data					Benchmark
CCG Specialty Category Description	Number of Members	Number of Episodes of Care	Total Allowed Charges	Cost per Episode	% of Total Excluding Unmapped	% of Total Excluding Unmapped *
Unmapped-primarily drugs	71,116	1	$36,260,502			
Cancers and Benign Growths	**11,596**	**11,627**	**27,723,786**	**2,384**	**11.60%**	**9.47%**
Cardiovascular Disorders	22,815	23,026	23,525,719	1,022	9.84%	10.20%
Congenital Anomalies	1,258	1,258	2,281,642	1,814	0.95%	1.02%
Dermatologic Disorders	36,660	37,873	6,821,172	180	2.85%	3.18%
Ear, Nose and Throat Disorders	55,629	59,101	13,316,550	225	5.57%	6.15%
Endocrine Disorders	15,957	15,966	11,438,017	716	4.78%	4.75%
Gastrointestinal Disorders	18,625	18,755	21,194,774	1,130	8.87%	9.55%
Gynecologic & Reproductive Disorders	16,470	16,768	8,800,798	525	3.68%	4.24%
Hematologic Disorders	1,217	1,233	1,252,243	1,016	0.52%	0.83%
Infectious Diseases	19,660	19,673	2,978,861	151	1.25%	2.04%
Injury and Poisoning	28,819	29,803	15,220,790	511	6.37%	6.67%
Miscellaneous	69,935	69,951	16,937,250	242	7.08%	6.05%
Musculoskeletal Disorders	**35,866**	**37,288**	**27,666,985**	**742**	**11.57%**	**10.05%**
Neurologic Disorders	9,217	9,372	11,022,650	1,176	4.61%	4.35%
Ophthalmologic Disorders	**34,094**	**34,657**	**6,154,048**	**178**	**2.57%**	**1.61%**
Perinatal Disorders	**368**	**369**	**2,336,852**	**6,333**	**0.98%**	**2.00%**
Pregnancy	**2,591**	**2,614**	**10,645,583**	**4,073**	**4.45%**	**5.93%**
Psychiatric Disorders	**18,524**	**18,527**	**13,425,354**	**725**	**5.62%**	**4.07%**
Pulmonary Disorders	**19,722**	**19,982**	**9,031,890**	**452**	**3.78%**	**4.71%**
Urologic Disorders	8,085	8,644	7,298,340	844	3.05%	3.14%
Grand Total	498,224	436,488	$275,333,806			
Grand Total excluding unmapped	427,108	436,487	$239,073,304			

* Based on nationwide data of two large carriers; not adjusted to the school districts' demographics or geographical spread.

Exhibit 7

Trend Assumptions

Trending Period	Allowed Cost	Projected Net Trends Reflecting Cost-Sharing Leveraging						
		Current Plans' Average	Proposed New Plans					
			Consumer-Driven *					
			High Ded Plan	HRA Dep.	Plan 1	Plan 2	Plan 3	Plan 4
From 2003 to 2004	13.10%	13.95%	15.35%	2.50%	14.00%	14.60%	15.20%	15.70%
From 2004 to 2005	11.60%	12.35%	13.55%	2.50%	12.40%	12.90%	13.40%	13.85%
From 2005 to 2006	10.50%	11.25%	12.30%	2.50%	11.25%	11.70%	12.15%	12.55%
From 2006 to 2007	9.55%	10.20%	11.15%	2.50%	10.25%	10.65%	11.05%	11.40%
From 2007 to 2008	8.60%	9.20%	10.00%	2.50%	9.20%	9.60%	9.90%	10.25%
From 2008 to 2009	7.80%	8.40%	9.10%	2.50%	8.40%	8.70%	9.00%	9.30%

* The consumer-driven plan consists of a combination of a higher deductible plan plus a health reimbursement account (HRA). The employer makes an annual HRA deposit on behalf of its employees, which, we assume, will increase annually at the rate of wage increases or the general CPI.

Exhibit 8

Minnesota School District Plans by Region and Benefit Plan Type
Plans In Force During July 1, 2001 to June 30, 2002 Period

	In-Network Benefits				Number of Members by Region						
Plan Type *	OV Copays	Deductible	Coinsurance	Out of Pocket Limit	1: Northwest	2: Northeast	3: Central	4: Twin Cities Metro	5: Southwest	6: Southeast	Total for State
CMM	A few have $15-20	$500 or more	20% to 30%	Generally $1,500 to $3,000	2,688	468	6,640	2,034	3,390	1,067	16,286
CMM *	A few have $20	Less than $500	10% to 20%	Generally $500 to $2,000	5,315	11,590	7,910	7,059	9,814	7,821	49,509
POS/PPO/HMO	$10 to $20 or 20%	None	10% to 20%	$750 to $2,000	0	0	118	4,916	27	1,581	6,643
POS/PPO/HMO	$20 to $30	None	0%		148	383	1,455	7,341	478	437	10,243
POS/PPO/HMO	$20 to $30	None	Hospital: 20% or IP copay	Generally $1,000-1,500; a few up to $3,000	0	0	0	74	720	0	794
POS/PPO/HMO	$10 to $15	None	0%		869	4,671	8,132	72,496	2,088	2,224	90,479
POS/PPO/HMO	$10 to $15	None	Hospital: 20% or IP copay	Generally $1,000-1,500; a few up to $3,000	0	165	109	5	0	0	279
POS/PPO/HMO	$0	None	0%		59	142	684	4,772	239	152	6,049
POS/PPO/HMO	$0	None	Hospital: 20%	Generally $1,000-1,500; a few up to $3,000	0	5	1	305	0	0	311
Total					9,079	17,423	25,049	99,002	16,757	13,283	180,592

* CMM: Comprehensive major medical plan. POS: Point of service plan. PPO: Preferred provider plan. HMO: Health maintenance organization.

** Includes basic hospital and surgical plus supplemental major medical plans. In these plans, hospital benefits are paid at 100%, up to prescribed limits. Amounts over the limits are paid under the supplemental major medical, which typically has a $100 to $200 deductible, 20% coinsurance, and $500 to $1,000 out of pocket maximum.

Exhibit 9.1

Proposed New Plans

(Features in **bold** are those assumed in developing model costs)

Plan 1 (may be two plans with different office visit copayments)		
In-Network: Preferred Network *	**In-Network: Extended Network ***	**Out of Network**
$15 office visit copayment	$20 office visit copayment	
10% coinsurance on hospital IP and OP	20% coinsurance on hospital IP, OP, surgery	30% coinsurance on everything
No deductible	$250 deductible on hospital IP, OP, surgery	$500 deductible on everything
Preventive: 100% coverage	Preventive: 100% coverage	Preventive: no coverage
$1,000 out of pocket limit	$2,000 out of pocket limit	$5,000 out of pocket limit
$100 ER copay	$100 ER copay	

Plan 2	
In-Network	**Out of Network**
15% coinsurance on everything	30% coinsurance on everything
$300 deductible on everything	$600 deductible on everything
Preventive: 100% coverage	Preventive: no coverage
$1,200 out of pocket limit	$3,000 out of pocket limit

Plan 3	
In-Network	**Out of Network**
15% coinsurance on everything	30% coinsurance on everything
$600 deductible on everything	$1,200 deductible on everything
Preventive: 100% coverage	Preventive: no coverage
$2,000 out of pocket limit	$4,000 out of pocket limit

Plan 4	
In-Network	**Out of Network**
15% coinsurance on everything	30% coinsurance on everything
$1,000 deductible on everything	$2,000 deductible on everything
Preventive: 100% coverage	Preventive: no coverage
$2,500 out of pocket limit	$5,000 out of pocket limit

Rx Benefits--All Plans	
Generic	$10
Brand-Formulary	$20
Brand-Non-Formulary	Greater of $40 or 40%

* The pool assigns each provider to one of three network levels, Preferred, Extended, and Third, based on the provider's cost efficiency and contracted reimbursement rates.

Exhibit 9.2

Consumer-Driven Plan A (CDHP A)

	Preferred Network	Extended Network	"Third Tier" Network	Out of Network
Deductible [1,3]	$500	$1,000	$1,500	$2,000
Coinsurance	15%	20%	25%	30%
Out of Pocket Limit [1,3]	$2,000	$3,000	$4,000	$6,000
Office Visit Copayment [2,3]	$15	$20	N/A	N/A
Routine Physical and Tests	100%	100%	Not Covered	Not Covered
Prescription Drug Copayments				
Generic	$10	$10	$10	$10
Brand-Formulary	$20	$20	$20	$20
Brand-Non-Formulary	[4]	[4]	[4]	[4]

Consumer-Driven Plan B (CDHP B)

Designed to meet minimum standards for a high deductible plan eligible for Health Savings Accounts

	Preferred Network	Extended Network	"Third Tier" Network	Out of Network
Deductible [1]	$1,000	$1,500	$2,000	$2,500
Coinsurance	15%	20%	25%	30%
Out of Pocket Limit [1]	$2,500	$3,500	$4,500	$6,500
Office Visit Copayment	N/A	N/A	N/A	N/A
Routine Physical and Tests	100%	100%	Not Covered	Not Covered
Prescription Drug Copayments				
Generic	[5]	[5]	[5]	[5]
Brand-Formulary	[5]	[5]	[5]	[5]
Brand-Non-Formulary	[5]	[5]	[5]	[5]

In addition, districts would deposit an amount into each participant's health reimbursement account (HRA). Unused HRA balances roll over to the next year.
The pool assigns each provider to one of three network levels, Preferred, Extended, and Third, based on the provider's cost efficiency and contracted reimbursement rates.

Footnotes

1. Two times for family.

2. Copayment applies *only* to the office visit portion of a bill; all tests that are performed in an office visit are subject to the deductible and coinsurance.

3. All deductibles, copayments, and out-of-pocket limits increase yearly, starting in year 4, by a trend rate equal to a blend of the CPI increase and the increase in the plan's PMPM allowed costs.

4. Brand non-formulary copay is the greater of $40 or 40% of the cost.

5. Subject to same deductible and coinsurance as other expenses.

Exhibit 9.3

Health Reimbursment Account Annual Employer Deposits With Wellness Incentives

HRA amounts below go with CDHP A design. HRA amounts with CDHP B or other plan would be different.
Amounts based on AVERAGE projected ISD current plans' costs in the 7/1/03 to 6/30/04 year
HRA deposits will vary greatly by district, depending on that district's current plan(s).

1. Employees With Single Coverage

			Annual HRA Dep.
Average annual deposit per employee (avg current plans' cost less prototype cost)			$487
	% of Employees	Difference From Avg	Final HRA Dep.
Level 1: Base level HRA deposit	18.0%	-25.0%	$335
HRA deposit as % of Preferred ded. *67%*			
HRA dep as % of Preferred OOPL *17%*			
Level 2: HRA deposit for non-smokers or smokers who have participated in smoking cessation program for 1 year [1], with BMI outside of normal range [2].	45.1%	-8.1%	$447
HRA deposit as % of Preferred ded. *89%*			
HRA dep as % of Preferred OOPL *22%*			
Level 3: HRA deposit for non-smokers or smokers who have participated in smoking cessation program for 1 year [1], with BMI within the normal range [2].	36.9%	25.0%	$559
HRA deposit as % of Preferred ded. ***112%***			
HRA dep as % of Preferred OOPL ***28%***			
Disease Management: employees who are contacted [3]	10.5%		Add'l Dep.
% of these who get "A"	35.0%	20.0%	$89
% of these who get "B"	55.0%	10.0%	$45
% of these who get "C"	10.0%	0.0%	$0
Grade A bonus as % of Pref ded. *18%*			
Grade A bonus as % of Pref OOPL *4%*			
Health Risk Appraisal: Bonus for employees who complete	50.0%		$25
Bonus as % of Preferred ded. ***5%***			
Bonus as % of Preferred OOPL ***1%***			

Exhibit 9.3

Health Reimbursment Account Annual Employer Deposits With Wellness Incentives

HRA amounts below go with CDHP A design. HRA amounts with CDHP B or other plan would be different.

2. Family Coverage

			Annual HRA Dep.
Average annual deposit per family (avg current plans' cost less prototype cost)			$973
	% of Members	Difference From Avg	Final HRA Dep.
Level 1: Base level HRA deposit	19.0%	-16.7%	$859
HRA deposit as % of Pref fam ded. 86%			
HRA dep as % of Pref fam OOPL 21%			
Level 2: HRA deposit for non-smokers or smokers who have participated in smoking cessation program for 1 year [1], with BMI outside of normal range [2].	44.5%	-5.9%	$1,031
HRA deposit as % of Preferred ded. 103%			
HRA dep as % of Preferred OOPL 26%			
Level 3: HRA deposit for non-smokers or smokers who have participated in smoking cessation program for 1 year [1], with BMI within the normal range [2].	36.5%	16.7%	$1,203
HRA deposit as % of Preferred ded. ***120%***			
HRA dep as % of Preferred OOPL ***30%***			
Disease Management: members who are contacted [3]	7.0%		Add'l Dep.
% of these who get "A"	35.0%	20.0%	$89
% of these who get "B"	55.0%	10.0%	$45
% of these who get "C"	10.0%	0.0%	$0
A bonus as % of Pref fam ded 9%			
A bonus as % of Pref fam OOPL 2%			
Health Risk Appraisal: Bonus for adult members who complete	50.0%		$50
Bonus as % of Preferred fam ded. ***5%***			
Bonus as % of Preferred fam OOPL ***1%***			

Exhibit 9.3

Health Reimbursment Account Annual Employer Deposits With Wellness Incentives

HRA amounts below go with CDHP A design. HRA amounts with CDHP B or other plan would be different.

Footnotes

1. To get the higher HRA deposit, a smoker must enroll in a smoking cessation course and get smoking cessation patches and related drugs. Only adults counted. If the smoker stays with the program for a year, s/he will move to Level 2 or 3, whether or not s/he actually quit.

2. Only adult members are eligible. To qualify for Level 3, member must either:
   a. Have a BMI within the normal range, or
   b. Fully participate in a recognized and supervised weight-loss program for at least one full year. After one year of full participation, the member qualifies for the bonus, whether or not s/he has achieved a normal BMI, provided s/he stays with the program until s/he achieves a normal BMI.

3. Members with targeted conditions--heart, diabetes, back problems, etc.--who are contacted by disease management program can get bonus based on their level of participation:
   A = Fully participates in and complies with all aspects of program.
   B = Complies with most aspects of the program.
   C = Less than B level participation and compliance.
   Disease management bonus is in additional to the other HRA deposits. This illustration assumes only one family member is affected by disease management. To comply with HIPAA confidentiality rules, the member is not required to have his/her case manager report on his/her compliance level. In cases of non-reporting, there is no bonus or penalty.

Exhibit 9.4

Special Retiree Consumer-Driven Plan

	Preferred Network	Extended Network	"Third Tier" Network	Out of Network
Deductible *	$1,000	$2,000	$3,000	$4,000
Coinsurance	15%	20%	25%	30%
Out of Pocket Limit *	$2,750	$4,500	$6,250	$8,000
Office Visit Copayment	$15	$20	N/A	N/A
Routine Physical and Tests	100%	100%	Not Covered	Not Covered
Prescription Drug Copayments				
Generic	$10	$10	$10	$10
Brand-Formulary	$20	$20	$20	$20
Brand-Non-Formulary	**	**	**	**

In addition, districts would deposit an amount into each participant's health reimbursement account (HRA). Unused HRA balances roll over to next year.
The pool assigns each provider to one of three network levels, Preferred, Extended, and Third, based on the provider's cost efficiency and contracted reimbursement rates.

* 2 times for family.
** Greater of $40 or 40%

Exhibit 10

RFI Responses: New Pool Carrier/TPA Expenses

Summary of RFI Responses

TPA / Carrier	PEPM*	Final % of Claims [1]
A	[2]	6.38%
B	$29.83	5.98%
C	[2]	8.00%
D	$31.87	6.39%
E	$30.90	6.20%
F	$28.02	5.62%
G	$24.94	5.00%
Average of lower half		**5.64%**
Median of all		6.20%
Mean of all		6.22%

Average of …..	
All	6.22%
6 lowest	5.93%
5 lowest	5.84%
4 lowest	5.75%
3 lowest	5.53%
2 lowest	5.31%

* Per employee [or retiree] per month

[1] Based on projected 2003-04 PEPM claims of $498.69.

[2] Not quoted on PEPM basis.

Decision: We felt all carriers/TPAs above presented credible responses with provider networks that can service the entire state, with limited supplemental provider contracting. For the projected expense of the pool, we used the average of the lower half of responses, or 5.64%, plus 0.01% for late entrant underwriting. The expense items are adjusted yearly for the assumed slower growth in dollar administration expenses relative to the growth in claims.

RFI Responses: Stop Loss

Carrier	PEPM Stop Loss Rates (7/03 thru 8/04)				Maximum Ann'l Agg Stop Loss Benefit	Total Annual Premium **	Comments
	$500,000 Specific		Aggregate				
	Single	Family					
A	$1.93	$5.88	$131,250	per year total	$5,000,000	$4,845,973	Aggregate attach pt = 125% of expected claims
B	1.30	3.15	0.15	composite	2,000,000	2,862,929	Aggregate attach pt = 120% of expected claims
C	1.77	composite	0.30	composite	1,000,000	2,499,426	Aggregate attach pt = 125% of expected claims
D	5.14	composite	No quote		N/A	6,206,303	No agg stop loss quote, but "we can do it."
E	1.50	PMPM	No quote		N/A	3,550,572	"Willing to discuss" aggregate stop loss coverage
F	2.50	6.25	No quote		N/A	5,282,603	"Willing to discuss" aggregate stop loss coverage
G	2.00	composite	No quote		N/A	2,414,904	Will not quote agg stop loss on pool of this size
H	2.32	composite	No quote		N/A	2,800,000	Will not quote agg stop loss on pool of this size

In addition to these carriers, one carrier quoted specific stop loss at $200,000 attachment point with full aggregate stop loss coverage at an attachment point of 110% of expected claims. Their total stop loss premium at the lower attachment point was significantly higher than the $500,000 quotes above.

** Assumes 100,621 employees and retirees, 50% of whom have family coverage.

Exhibit 11

School District Health Insurance Pools in Other States

Mandatory plans are shaded

State	Mandatory or Voluntary Participation	How Long in Operation for Schools?	Administrative Expense * as % of Claims	# of Plans Offered	Recent Trend	Funding	Rating Method	State Employees Included?
Georgia	Mandatory	24 years	5.0%	Indemnity, PPO, "PPO Consumer Choice," several HMOs, "HMO Consumer Choice"	2002 to 2003: 16%	Self-funded	Same rate for all groups with same plan	Yes
Kentucky	Mandatory	31 years	7.6%	4 carriers each offering 3 or more plans. PPO, HMO, POS, EPO plan designs	14.2%	Fully insured	Within county, all groups have same rate for same plan	Yes
Montana	Voluntary	15-20 years	9.9%	14 major medical & 9 HMO plans	This year: 9%; past 2 years: 20-30% per yr	Self-funded	<50 Ees: same rates for all groups with same plan; 51-99 Ees: blend of pool & exper rates; 100+ Ees: all exper rated	No
North Carolina	Mandatory	30 years	2.7%	1 plan: $350 ded; 20% coins; $1,850 OOP limit; $15 office visit copay	11-12%	Self-funded	Single rate	Yes
Oklahoma	Voluntary, but "99%" of districts in plan	15 years	7.5%	High & basic options, plus 2 HMOs in certain locations	Non-Medicare elig: 12.1%; Medicare-elig: 7.5%	Self-funded plans & 2 HMOs	Same rate for all groups with same plan	Yes
Tennessee	Voluntary; district can't re-enter after leaving	17 years	8.7%	3 plans: PPO, HMO, POS	15%	Self-funded	Same rate for all groups with same plan, but contact person reports anti-selection is occuring & recommends more underwriting	Technically, schools in separate pool
Utah	Voluntary	26 years	6.4%	Districts under 1,000 employees: 3 plan designs (2 HMOs, 1 PPO). Larger districts can design own plans.	Medical:8-10%; Rx: 15-18%	Self-funded	1,000+ Ees: Each group exper-rated. Smaller districts: Rate is blend of exper & pool rates using credibility factors	Yes
Wisconsin	Voluntary	33 years	6.4%	Extensive menu of PPO, POS, & comp major med plan designs	"[We] try to manage to 5-15% annual rate increases"	Technically fully insured by WEA Ins Co.	500+ Ees: Each group exper-rated. Smaller districts: Can choose exper or pool rated; if later, never sees exper.	No

* Includes all vendor cost and internal operating costs

Exhibit 12

Savings From Wellness Initiatives and PBM Direct Contracting

Wellness Savings from Optimizing % of Employees Taking Health Risk Appraisals

Assumptions:	
% of adults who take appraisal now	10%
Optimal % (achieved via rate incentives)	80%
% of those who take it with risk age > chronological age*	60%
Of these people, average # years risk age is > chronological age	5
R&A age-gender factor difference for 40-44 vs 45-49	-14.65%
% of taking appraisal who are "successful"	33%
Definition of "success:" Reduce gap between risk and chronological age by 1.5 years for each plan year.	
Annual savings to health plan from "successes"	-0.61%
% of total claims from adults **	85.52%
Estimated annual additional incremental wellness claims reduction	**-0.52%**
Savings start in year 2	
Up to a cumulative maximum savings of	-1.75%
* % of adult population that's overweight	55%
Estimated % of school district members that smoke	18%
Obviously, a lot of overlap between these two. Also, not everyone who's overweight will have risk age > chronological age.	
** School district members 20-64: 140,806 Under 20:	48,838
** Ratio, 20-64 adult:total PMPM allowed cost (from R&A Model with ISD < 65 population)	1.1519

Exhibit 12

Savings From Wellness Initiatives and PBM Direct Contracting

Savings from Direct PBM Contracting and Greater Formulary Incentive Through Plan Design

Assumptions	
Gross rebate as % of cost of formulary drug	4.00%
Average % of rebate now returned to groups	81%
Optimal % of rebate possible	95%
1. Optimal additional rebate as % of all drug claims	0.56%
Current formulary usage rate	91.4%
Optimal formulary usage rate	96.0%
Additional rebates	0.19%
Optimal rebate return to groups	95.00%
2. Additional rebates to groups through greater formular use	0.18%
Total additional rebates to groups (1) + (2)	0.74%
Prescription drug claims as % of total plan claims	24%
Net reduction in overall claims	0.18%

Exhibit 13

Structural Cost Difference Between New Mandatory Pool and Current Arrangements
Assuming Current Plan Design Mix & No Wellness or PBM Changes

Source	Projected Dollar Differences (in millions)					
	Projected Years					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Eliminate premium tax and MCHA assessments	$ (10.18)	$ (11.43)	$ (12.67)	$ (13.92)	$ (15.16)	$ (16.40)
Eliminate commissions	(2.51)	(2.79)	(3.08)	(3.37)	(3.66)	(3.95)
Administrative expenses difference	(6.85)	(10.02)	(10.86)	(11.47)	(12.08)	(12.74)
Contribution to reserves difference [1]	21.01	21.13	(10.58)	(12.72)	(14.25)	(15.41)
Lower net cost of stop loss coverage & pooling [2]	(5.74)	(6.76)	(7.57)	(8.38)	(9.16)	(9.85)
Other [3]	(1.91)	0.01	0.01	0.01	0.01	0.01
Total	$ (6.17)	$ (9.87)	$ (44.76)	$ (49.85)	$ (54.30)	$ (58.34)

Source	Diff. as %'s of Current Plans'/Arrangements' Total Costs					
	Projected Years					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Eliminate premium tax and MCHA assessments	-1.47%	-1.48%	-1.48%	-1.48%	-1.48%	-1.48%
Eliminate commissions	-0.36%	-0.36%	-0.36%	-0.36%	-0.36%	-0.36%
Administrative expenses difference	-0.99%	-1.30%	-1.27%	-1.22%	-1.18%	-1.15%
Contribution to reserves difference [1]	3.04%	2.74%	-1.24%	-1.36%	-1.39%	-1.39%
Lower net cost of stop loss coverage & pooling [2]	-0.83%	-0.88%	-0.89%	-0.89%	-0.90%	-0.89%
Other [3]	-0.28%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	-0.89%	-1.28%	-5.24%	-5.31%	-5.31%	-5.28%

Footnotes

1. Current arrangements' risk charges are net of estimated retrospective rate credits returned to groups for favorable experience and only apply to insured and service cooperative groups. The new pool risk charge assumes a stabilization reserve build up in first two years. Starting in third year, investment income is projected to be sufficient to fund nearly all of the needed increases in the stabilization reserve.

2. Assumes that both present and new pool stop loss coverages are priced to achieve a 70% loss ratio. Assumes that stop loss attachment points will be increased with trend in 1/2 of the years. This also includes the net cost of assumed large claim pooling included in the pricing of insured groups.
   Note: Current stop loss coverage now provided to the service cooperatives and to individual districts has aggregate stop loss. The proposed pool stop loss assumes only a very small level of aggregate stop loss coverage, relative to the size of the overall pool. The current arrangements, with full aggregate stop loss, provide more protection.

3. "Other" difference in 2003-04 comes from projected current arrangement premiums, based on available information, that exceed claims plus various retention items. Starting in 2004-05, premiums are built up from claims plus retention items and net large claim pooling cost.

Exhibit 14

Current Arrangements Vs. Voluntary Pool Vs. Mandatory Pool Vs. Standard Design Only

Year 1

Cost Item	Amount Current Carriers/TPAs & Plans	Current Plan Design Mix: Voluntary Pool	Current Plan Design Mix: Mandatory Pool	Current Plan Design Mix: Standard Design Only	Consumer-Driven Plan: Voluntary Pool	Consumer-Driven Plan: Mandatory Pool	Consumer-Driven Plan: Standard Design Only	Plan 1: Voluntary Pool	Plan 1: Mandatory Pool	Plan 1: Standard Design Only	Plan 2: Voluntary Pool	Plan 2: Mandatory Pool	Plan 2: Standard Design Only	Plan 3: Voluntary Pool	Plan 3: Mandatory Pool	Plan 3: Standard Design Only	Plan 4: Voluntary Pool	Plan 4: Mandatory Pool	Plan 4: Standard Design Only
		Change as % of Total Cost of Current Carriers/TPAs and Plans																	
Claims cost	$ 613,703,739																		
Higher out of pocket expense		0.00%	0.00%	0.00%	-16.68%	-16.68%	-16.68%	-6.30%	-6.30%	-6.30%	-12.15%	-12.15%	-12.15%	-15.68%	-15.68%	-15.68%	-19.83%	-19.83%	-19.83%
Lower utilization		0.00%	0.00%	0.00%	-1.86%	-1.86%	-1.86%	0.00%	0.00%	0.00%	-0.98%	-0.98%	-0.98%	-1.86%	-1.86%	-1.86%	-2.66%	-2.66%	-2.66%
Premium tax & MCHA assess.	10,179,835	-1.47%	-1.47%	0.00%	-1.47%	-1.47%	-0.27%	-1.47%	-1.47%	-0.09%	-1.47%	-1.47%	-0.19%	-1.47%	-1.47%	-0.26%	-1.47%	-1.47%	-0.33%
Commissions	2,505,825	0.00%	-0.36%	0.00%	-0.07%	-0.36%	-0.07%	-0.02%	-0.36%	-0.02%	-0.05%	-0.36%	-0.05%	-0.06%	-0.36%	-0.06%	-0.08%	-0.36%	-0.08%
Administrative expense	46,724,487	-0.87%	-0.99%	-0.44%	-0.87%	-0.99%	-0.44%	-0.87%	-0.99%	-0.44%	-0.87%	-0.99%	-0.44%	-0.87%	-0.99%	-0.44%	-0.87%	-0.99%	-0.44%
Contribution to reserves	9,674,290	5.00%	3.04%	0.00%	4.08%	2.11%	-0.26%	4.69%	2.72%	-0.09%	4.35%	2.38%	-0.18%	4.13%	2.16%	-0.25%	3.88%	1.91%	-0.31%
Stop loss/pooling net cost	6,595,769	-0.58%	-0.83%	0.00%	-0.58%	-0.83%	0.00%	-0.58%	-0.83%	0.00%	-0.58%	-0.83%	0.00%	-0.58%	-0.83%	0.00%	-0.58%	-0.83%	0.00%
Different disease mgmt		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Direct PBM (Rx) contracting		0.00%	0.00%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%
Wellness--health risk appraisal		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	1,911,035	-0.28%	-0.28%	0.00%	-0.28%	-0.28%	0.00%	-0.28%	-0.28%	0.00%	-0.28%	-0.28%	0.00%	-0.28%	-0.28%	0.00%	-0.28%	-0.28%	0.00%
Total	$ 691,294,979	1.81%	-0.89%	-0.44%	-17.89%	-20.52%	-19.58%	-4.98%	-7.66%	-6.94%	-12.18%	-14.83%	-13.99%	-16.84%	-19.47%	-18.55%	-22.05%	-24.66%	-23.66%
Average single prem. per mo. *	$376.04	$382.83	$372.68	$374.38	$308.78	$298.88	$302.40	$357.30	$347.23	$349.94	$330.25	$320.27	$323.44	$312.73	$302.82	$306.27	$293.13	$283.29	$287.07
Average family prem. per mo. *	$911.78	$928.26	$903.65	$907.78	$748.70	$724.70	$733.24	$866.35	$841.94	$848.51	$800.76	$776.58	$784.25	$758.28	$734.25	$742.63	$710.77	$686.90	$696.07

* To simplify the calculations and for ease of comparison, the relationship between single and family premiums is the same for all plans (including current plans and carriers) and all years. In theory, the single-family rate relationship would vary by plan and possibly by year as well.

Year 2

Cost Item	Amount Current Carriers/TPAs & Plans	Current Plan Design Mix: Voluntary Pool	Current Plan Design Mix: Mandatory Pool	Current Plan Design Mix: Standard Design Only	Consumer-Driven Plan: Voluntary Pool	Consumer-Driven Plan: Mandatory Pool	Consumer-Driven Plan: Standard Design Only	Plan 1: Voluntary Pool	Plan 1: Mandatory Pool	Plan 1: Standard Design Only	Plan 2: Voluntary Pool	Plan 2: Mandatory Pool	Plan 2: Standard Design Only	Plan 3: Voluntary Pool	Plan 3: Mandatory Pool	Plan 3: Standard Design Only	Plan 4: Voluntary Pool	Plan 4: Mandatory Pool	Plan 4: Standard Design Only
		Change as % of Total Cost of Current Carriers/TPAs and Plans																	
Claims cost	$ 689,496,151																		
Higher out of pocket expense		0.00%	0.00%	0.00%	-16.11%	-16.11%	-16.11%	-6.38%	-6.38%	-6.38%	-11.93%	-11.93%	-11.93%	-15.19%	-15.19%	-15.19%	-19.15%	-19.15%	-19.15%
Lower utilization		0.00%	0.00%	0.00%	-1.88%	-1.88%	-1.88%	0.00%	0.00%	0.00%	-0.98%	-0.98%	-0.98%	-1.88%	-1.88%	-1.88%	-2.68%	-2.68%	-2.68%
Premium tax & MCHA assess.	11,428,901	-1.48%	-1.48%	0.00%	-1.48%	-1.48%	-0.27%	-1.48%	-1.48%	-0.09%	-1.48%	-1.48%	-0.19%	-1.48%	-1.48%	-0.25%	-1.48%	-1.48%	-0.32%
Commissions	2,793,033	0.00%	-0.36%	0.00%	-0.07%	-0.36%	-0.07%	-0.02%	-0.36%	-0.02%	-0.05%	-0.36%	-0.05%	-0.06%	-0.36%	-0.06%	-0.08%	-0.36%	-0.08%
Administrative expense	48,208,683	-0.84%	-1.30%	-0.41%	-0.84%	-1.30%	-0.41%	-0.84%	-1.30%	-0.41%	-0.84%	-1.30%	-0.41%	-0.84%	-1.30%	-0.41%	-0.84%	-1.30%	-0.41%
Contribution to reserves	10,977,599	2.89%	2.74%	0.00%	2.02%	1.90%	-0.26%	2.58%	2.44%	-0.09%	2.27%	2.14%	-0.18%	2.07%	1.95%	-0.24%	1.84%	1.72%	-0.31%
Stop loss/pooling net cost	7,846,781	-0.61%	-0.88%	0.00%	-0.61%	-0.88%	0.00%	-0.61%	-0.88%	0.00%	-0.61%	-0.88%	0.00%	-0.61%	-0.88%	0.00%	-0.61%	-0.88%	0.00%
Different disease mgmt		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Direct PBM (Rx) contracting		0.00%	0.00%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%
Wellness--health risk appraisal		0.00%	0.00%	0.00%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%
Other	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	$ 770,751,148	-0.05%	-1.28%	-0.41%	-19.59%	-20.73%	-19.45%	-7.38%	-8.58%	-7.46%	-14.26%	-15.42%	-14.21%	-18.63%	-19.77%	-18.50%	-23.63%	-24.75%	-23.41%
Average single prem. per mo. *	$419.25	$419.05	$413.88	$417.55	$337.11	$332.34	$337.71	$388.31	$383.28	$387.98	$359.48	$354.60	$359.68	$341.16	$336.37	$341.69	$320.17	$315.49	$321.09
Average family prem. per mo. *	$1,016.57	$1,016.08	$1,003.55	$1,012.44	$817.39	$805.82	$818.86	$941.55	$929.36	$940.75	$871.64	$859.80	$872.12	$827.22	$815.60	$828.50	$776.33	$764.97	$778.54

* To simplify the calculations and for ease of comparison, the relationship between single and family premiums is the same for all plans (including current plans and carriers) and all years. In theory, the single-family rate relationship would vary by plan and possibly by year as well.

Exhibit 14

Current Arrangements Vs. Voluntary Pool Vs. Mandatory Pool Vs. Standard Design Only

Year 3

Cost Item	Amount Current Carriers/TPAs & Plans	Current Plan Design Mix			Consumer-Driven Plan			Plan 1			Plan 2			Plan 3			Plan 4		
		Change as % of Total Cost of Current Carriers/TPAs and Plans																	
		Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only
Claims cost	$ 767,064,468																		
Higher out of pocket expense		0.00%	0.00%	0.00%	-15.49%	-15.49%	-15.49%	-6.40%	-6.40%	-6.40%	-11.67%	-11.67%	-11.67%	-14.66%	-14.66%	-14.66%	-18.43%	-18.43%	-18.43%
Lower utilization		0.00%	0.00%	0.00%	-1.89%	-1.89%	-1.89%	0.00%	0.00%	0.00%	-0.99%	-0.99%	-0.99%	-1.89%	-1.89%	-1.89%	-2.69%	-2.69%	-2.69%
Premium tax & MCHA assess.	12,674,302	-1.48%	-1.48%	0.00%	-1.48%	-1.48%	-0.26%	-1.48%	-1.48%	-0.09%	-1.48%	-1.48%	-0.19%	-1.48%	-1.48%	-0.25%	-1.48%	-1.48%	-0.31%
Commissions	3,084,138	0.00%	-0.36%	0.00%	-0.06%	-0.36%	-0.06%	-0.02%	-0.36%	-0.02%	-0.05%	-0.36%	-0.05%	-0.06%	-0.36%	-0.06%	-0.08%	-0.36%	-0.08%
Administrative expense	50,508,157	-0.99%	-1.27%	-0.38%	-0.99%	-1.27%	-0.38%	-0.99%	-1.27%	-0.38%	-0.99%	-1.27%	-0.38%	-0.99%	-1.27%	-0.38%	-0.99%	-1.27%	-0.38%
Contribution to reserves	11,931,641	-0.95%	-1.24%	0.00%	-1.03%	-1.27%	-0.24%	-0.98%	-1.25%	-0.09%	-1.01%	-1.26%	-0.18%	-1.03%	-1.27%	-0.23%	-1.05%	-1.28%	-0.30%
Stop loss/pooling net cost	8,916,137	-0.62%	-0.89%	0.00%	-0.62%	-0.89%	0.00%	-0.62%	-0.89%	0.00%	-0.62%	-0.89%	0.00%	-0.62%	-0.89%	0.00%	-0.62%	-0.89%	0.00%
Different disease mgmt		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Direct PBM (Rx) contracting		0.00%	0.00%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%
Wellness--health risk appraisal		0.00%	0.00%	0.00%	-0.94%	-0.94%	-0.94%	-0.94%	-0.94%	-0.94%	-0.94%	-0.94%	-0.94%	-0.94%	-0.94%	-0.94%	-0.94%	-0.94%	-0.94%
Other	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	$ 854,178,844	-4.05%	-5.24%	-0.38%	-22.67%	-23.75%	-19.26%	-11.60%	-12.75%	-7.93%	-17.90%	-19.01%	-14.38%	-21.83%	-22.91%	-18.40%	-26.44%	-27.49%	-23.12%
Average single prem. per mo. *	$464.63	$445.84	$440.28	$462.85	$359.30	$354.30	$375.13	$410.75	$405.40	$427.79	$381.45	$376.30	$397.80	$363.21	$358.18	$379.12	$341.78	$336.90	$357.19
Average family prem. per mo. *	$1,126.61	$1,081.03	$1,067.56	$1,122.28	$871.21	$859.08	$909.58	$995.96	$982.99	$1,037.28	$924.91	$912.42	$964.55	$880.68	$868.49	$919.27	$828.73	$816.89	$866.09

* To simplify the calculations and for ease of comparison, the relationship between single and family premiums is the same for all plans (including current plans and carriers) and all years. In theory, the single-family rate relationship would vary by plan and possibly by year as well.

Year 4

Cost Item	Amount Current Carriers/TPAs & Plans	Current Plan Design Mix			Consumer-Driven Plan			Plan 1			Plan 2			Plan 3			Plan 4		
		Change as % of Total Cost of Current Carriers/TPAs and Plans																	
		Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only
Claims cost	$ 845,305,044																		
Higher out of pocket expense		0.00%	0.00%	0.00%	-14.92%	-14.92%	-14.92%	-6.38%	-6.38%	-6.38%	-11.39%	-11.39%	-11.39%	-14.14%	-14.14%	-14.14%	-17.73%	-17.73%	-17.73%
Lower utilization		0.00%	0.00%	0.00%	-1.89%	-1.89%	-1.89%	0.00%	0.00%	0.00%	-0.99%	-0.99%	-0.99%	-1.89%	-1.89%	-1.89%	-2.70%	-2.70%	-2.70%
Premium tax & MCHA assess.	13,919,488	-1.48%	-1.48%	0.00%	-1.48%	-1.48%	-0.25%	-1.48%	-1.48%	-0.09%	-1.48%	-1.48%	-0.18%	-1.48%	-1.48%	-0.24%	-1.48%	-1.48%	-0.30%
Commissions	3,372,909	0.00%	-0.36%	0.00%	-0.06%	-0.36%	-0.06%	-0.02%	-0.36%	-0.02%	-0.04%	-0.36%	-0.04%	-0.06%	-0.36%	-0.06%	-0.07%	-0.36%	-0.07%
Administrative expense	52,632,508	-0.96%	-1.22%	-0.36%	-0.96%	-1.22%	-0.36%	-0.96%	-1.22%	-0.36%	-0.96%	-1.22%	-0.36%	-0.96%	-1.22%	-0.36%	-0.96%	-1.22%	-0.36%
Contribution to reserves	13,090,370	-0.94%	-1.36%	0.00%	-1.03%	-1.36%	-0.23%	-0.98%	-1.36%	-0.09%	-1.01%	-1.36%	-0.17%	-1.02%	-1.36%	-0.22%	-1.05%	-1.36%	-0.29%
Stop loss/pooling net cost	10,000,880	-0.63%	-0.89%	0.00%	-0.63%	-0.89%	0.00%	-0.63%	-0.89%	0.00%	-0.63%	-0.89%	0.00%	-0.63%	-0.89%	0.00%	-0.63%	-0.89%	0.00%
Different disease mgmt		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Direct PBM (Rx) contracting		0.00%	0.00%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%
Wellness--health risk appraisal		0.00%	0.00%	0.00%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%	-1.41%
Other	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	$ 938,321,198	-4.01%	-5.31%	-0.36%	-22.53%	-23.70%	-19.13%	-12.02%	-13.27%	-8.36%	-18.06%	-19.26%	-14.55%	-21.75%	-22.92%	-18.32%	-26.19%	-27.33%	-22.87%
Average single prem. per mo. *	$510.40	$489.92	$483.28	$508.54	$395.39	$389.45	$412.78	$449.06	$442.69	$467.72	$418.20	$412.08	$436.13	$399.39	$393.42	$416.87	$376.72	$370.93	$393.67
Average family prem. per mo. *	$1,237.59	$1,187.93	$1,171.82	$1,233.08	$958.72	$944.31	$1,000.88	$1,088.85	$1,073.39	$1,134.08	$1,014.03	$999.18	$1,057.50	$968.41	$953.92	$1,010.80	$913.45	$899.41	$954.55

* To simplify the calculations and for ease of comparison, the relationship between single and family premiums is the same for all plans (including current plans and carriers) and all years. In theory, the single-family rate relationship would vary by plan and possibly by year as well.

Exhibit 14

Current Arrangements Vs. Voluntary Pool Vs. Mandatory Pool Vs. Standard Design Only

Year 5

Cost Item	Amount Current Carriers/TPAs & Plans	Change as % of Total Cost of Current Carriers/TPAs and Plans: Current Plan Design Mix			Consumer-Driven Plan			Plan 1			Plan 2			Plan 3			Plan 4		
		Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only
Claims cost	$ 923,073,108																		
Higher out of pocket expense		0.00%	0.00%	0.00%	-14.42%	-14.42%	-14.42%	-6.40%	-6.40%	-6.40%	-11.13%	-11.13%	-11.13%	-13.70%	-13.70%	-13.70%	-17.11%	-17.11%	-17.11%
Lower utilization		0.00%	0.00%	0.00%	-1.90%	-1.90%	-1.90%	0.00%	0.00%	0.00%	-0.99%	-0.99%	-0.99%	-1.90%	-1.90%	-1.90%	-2.71%	-2.71%	-2.71%
Premium tax & MCHA assess.	15,158,736	-1.48%	-1.48%	0.00%	-1.48%	-1.48%	-0.24%	-1.48%	-1.48%	-0.09%	-1.48%	-1.48%	-0.18%	-1.48%	-1.48%	-0.23%	-1.48%	-1.48%	-0.29%
Commissions	3,660,801	0.00%	-0.36%	0.00%	-0.06%	-0.36%	-0.06%	-0.02%	-0.36%	-0.02%	-0.04%	-0.36%	-0.04%	-0.06%	-0.36%	-0.06%	-0.07%	-0.36%	-0.07%
Administrative expense	54,840,310	-0.93%	-1.18%	-0.35%	-0.93%	-1.18%	-0.35%	-0.93%	-1.18%	-0.35%	-0.93%	-1.18%	-0.35%	-0.93%	-1.18%	-0.35%	-0.93%	-1.18%	-0.35%
Contribution to reserves	14,248,359	-0.94%	-1.39%	0.00%	-1.02%	-1.39%	-0.23%	-0.97%	-1.39%	-0.09%	-1.00%	-1.39%	-0.17%	-1.02%	-1.39%	-0.22%	-1.04%	-1.39%	-0.28%
Stop loss/pooling net cost	11,080,804	-0.63%	-0.90%	0.00%	-0.63%	-0.90%	0.00%	-0.63%	-0.90%	0.00%	-0.63%	-0.90%	0.00%	-0.63%	-0.90%	0.00%	-0.63%	-0.90%	0.00%
Different disease mgmt		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Direct PBM (Rx) contracting		0.00%	0.00%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%
Wellness--health risk appraisal		0.00%	0.00%	0.00%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%
Other	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	$ 1,022,062,118	-3.98%	-5.31%	-0.35%	-22.18%	-23.37%	-18.77%	-12.18%	-13.45%	-8.54%	-17.95%	-19.18%	-14.45%	-21.46%	-22.65%	-18.03%	-25.71%	-26.87%	-22.39%
Average single prem. per mo. *	$555.96	$533.80	$526.41	$554.02	$432.65	$426.04	$451.60	$488.24	$481.16	$508.49	$456.14	$449.33	$475.64	$436.67	$430.02	$455.71	$413.01	$406.57	$431.49
Average family prem. per mo. *	$1,348.04	$1,294.32	$1,276.41	$1,343.34	$1,049.06	$1,033.04	$1,095.00	$1,183.85	$1,166.67	$1,232.96	$1,106.03	$1,089.51	$1,153.30	$1,058.80	$1,042.69	$1,104.96	$1,001.44	$985.82	$1,046.25

* To simplify the calculations and for ease of comparison, the relationship between single and family premiums is the same for all plans (including current plans and carriers) and all years. In theory, the single-family rate relationship would vary by plan and possibly by year as well.

Year 6

Cost Item	Amount Current Carriers/TPAs & Plans	Change as % of Total Cost of Current Carriers/TPAs and Plans: Current Plan Design Mix			Consumer-Driven Plan			Plan 1			Plan 2			Plan 3			Plan 4		
		Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only	Voluntary Pool	Mandatory Pool	Standard Design Only
Claims cost	$ 1,000,611,249																		
Higher out of pocket expense		0.00%	0.00%	0.00%	-13.97%	-13.97%	-13.97%	-6.41%	-6.41%	-6.41%	-10.94%	-10.94%	-10.94%	-13.31%	-13.31%	-13.31%	-16.56%	-16.56%	-16.56%
Lower utilization		0.00%	0.00%	0.00%	-1.90%	-1.90%	-1.90%	0.00%	0.00%	0.00%	-1.00%	-1.00%	-1.00%	-1.90%	-1.90%	-1.90%	-2.71%	-2.71%	-2.71%
Premium tax & MCHA assess.	16,398,517	-1.48%	-1.48%	0.00%	-1.48%	-1.48%	-0.24%	-1.48%	-1.48%	-0.10%	-1.48%	-1.48%	-0.18%	-1.48%	-1.48%	-0.23%	-1.48%	-1.48%	-0.29%
Commissions	3,947,025	0.00%	-0.36%	0.00%	-0.06%	-0.36%	-0.06%	-0.02%	-0.36%	-0.02%	-0.04%	-0.36%	-0.04%	-0.05%	-0.36%	-0.05%	-0.07%	-0.36%	-0.07%
Administrative expense	57,195,861	-0.91%	-1.15%	-0.34%	-0.91%	-1.15%	-0.34%	-0.91%	-1.15%	-0.34%	-0.91%	-1.15%	-0.34%	-0.91%	-1.15%	-0.34%	-0.91%	-1.15%	-0.34%
Contribution to reserves	15,409,678	-0.94%	-1.39%	0.00%	-1.02%	-1.39%	-0.22%	-0.97%	-1.39%	-0.09%	-1.00%	-1.39%	-0.17%	-1.02%	-1.39%	-0.21%	-1.04%	-1.39%	-0.27%
Stop loss/pooling net cost	12,093,497	-0.62%	-0.89%	0.00%	-0.62%	-0.89%	0.00%	-0.62%	-0.89%	0.00%	-0.62%	-0.89%	0.00%	-0.62%	-0.89%	0.00%	-0.62%	-0.89%	0.00%
Different disease mgmt		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Direct PBM (Rx) contracting		0.00%	0.00%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%	-0.16%	-0.16%	0.00%
Wellness--health risk appraisal		0.00%	0.00%	0.00%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%	-1.58%
Other	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	$ 1,105,655,827	-3.96%	-5.28%	-0.34%	-21.71%	-22.89%	-18.30%	-12.17%	-13.43%	-8.54%	-17.74%	-18.95%	-14.24%	-21.05%	-22.24%	-17.63%	-25.14%	-26.29%	-21.81%
Average single prem. per mo. *	$601.43	$577.61	$569.69	$599.40	$470.87	$463.76	$491.36	$528.22	$520.63	$550.06	$494.75	$487.44	$515.79	$474.83	$467.69	$495.41	$450.23	$443.30	$470.23
Average family prem. per mo. *	$1,458.29	$1,400.54	$1,381.33	$1,453.39	$1,141.73	$1,124.50	$1,191.40	$1,280.79	$1,262.38	$1,333.74	$1,199.62	$1,181.90	$1,250.66	$1,151.33	$1,134.02	$1,201.23	$1,091.69	$1,074.89	$1,140.19

* To simplify the calculations and for ease of comparison, the relationship between single and family premiums is the same for all plans (including current plans and carriers) and all years. In theory, the single-family rate relationship would vary by plan and possibly by year as well.

Exhibit 15.1

Comparison of Projected Costs: Current Plans & Arrangements Versus Proposed Plans and Pool

This exhibit does not include the impact of PBM direct contracting or wellness-health risk appraisal initiative.

	Current Plans and Arrangements						
	Base Year	Projected Years					
	2001-02	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Premium	$ 471,612,275	$ 607,385,865	$ 676,760,520	$ 749,974,996	$ 823,811,291	$ 897,298,414	$ 970,722,945
Claims	471,989,102	613,703,739	689,496,151	767,064,468	845,305,044	923,073,108	1,000,611,249
Retention							
Premium tax & MCHA	7,043,779	10,179,835	11,428,901	12,674,302	13,919,488	15,158,736	16,398,517
as a % of claims	*1.49%*	*1.66%*	*1.66%*	*1.65%*	*1.65%*	*1.64%*	*1.64%*
Commissions	1,945,585	2,505,825	2,793,033	3,084,138	3,372,909	3,660,801	3,947,025
as a % of claims	*0.41%*	*0.41%*	*0.41%*	*0.40%*	*0.40%*	*0.40%*	*0.39%*
Contribution to reserves: gross (est'd)	12,106,693	13,981,924	15,677,599	17,137,150	18,809,232	20,478,163	22,149,466
Retrospective rate credits [1]	3,343,059	4,307,634	4,700,000	5,205,509	5,718,862	6,229,804	6,739,788
Net contribution to reserves	8,763,634	9,674,290	10,977,599	11,931,641	13,090,370	14,248,359	15,409,678
as a % of claims	*1.86%*	*1.58%*	*1.59%*	*1.56%*	*1.55%*	*1.54%*	*1.54%*
Administration & other	41,794,875	46,724,487	48,208,683	50,508,157	52,632,508	54,840,310	57,195,861
as a % of claims	*8.86%*	*7.61%*	*6.99%*	*6.58%*	*6.23%*	*5.94%*	*5.72%*
Total retention	59,547,873	69,084,435	73,408,216	78,198,239	83,015,274	87,908,206	92,951,081
as a % of claims	*12.62%*	*11.26%*	*10.65%*	*10.19%*	*9.82%*	*9.52%*	*9.29%*
Stop loss							
Premium	21,649,091	21,985,898	26,155,938	29,720,457	33,336,266	36,936,014	40,311,655
Assumed claims [2]	15,154,364	15,390,129	18,309,156	20,804,320	23,335,386	25,855,210	28,218,159
Net cost	6,494,727	6,595,769	7,846,781	8,916,137	10,000,880	11,080,804	12,093,497
Total cost							
Insured/Service Coop [3]	468,269,215	603,078,231	672,060,520	744,769,487	818,092,429	891,068,610	963,983,157
Self-funded [4]	72,043,460	88,216,749	98,684,271	109,402,313	120,221,032	130,985,079	141,663,551
Total	540,312,676	691,294,979	770,744,792	854,171,800	938,313,460	1,022,053,689	1,105,646,709

Footnotes

1. Estimated premium amounts returned to premium-paying groups due to favorable experience.
2. Assume stop loss coverage has 70% loss ratio.
3. Total cost for premium-paying groups equals net premium.
4. Total cost for self-funded groups equals their claims plus retention plus stop loss net cost.

Exhibit 15.2

Comparison of Projected Costs: Current Plans & Arrangements Versus Proposed Plans and Pool

This exhibit does not include the impact of PBM direct contracting or wellness-health risk appraisal initiative.

	New Self-Funded Pool: Current Plan Mix					
	Projected Years					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Claims [1]	$ 613,703,739	$ 689,496,151	$ 767,064,468	$ 845,305,044	$ 923,073,108	$ 1,000,611,249
Retention						
Stabilization reserve contribution	30,685,187	32,103,330	1,354,686	366,189	0	0
as a % of claims	*5.00%*	*4.66%*	*0.18%*	*0.04%*	*0.00%*	*0.00%*
Carrier or TPA administration [2]	34,675,679	35,973,291	37,351,073	38,780,136	40,280,743	41,876,779
as a % of claims	*5.65%*	*5.22%*	*4.87%*	*4.59%*	*4.36%*	*4.19%*
Central pool administration [2]	5,201,731	2,213,040	2,297,800	2,385,714	2,478,030	2,576,217
as a % of claims	*0.85%*	*0.32%*	*0.30%*	*0.28%*	*0.27%*	*0.26%*
Total retention	70,562,597	70,289,662	41,003,560	41,532,039	42,758,773	44,452,996
as a % of claims	*11.50%*	*10.19%*	*5.35%*	*4.91%*	*4.63%*	*4.44%*
Stop loss [3]						
Premium	2,862,929	3,623,631	4,475,560	5,409,369	6,402,243	7,467,190
Assumed claims	2,004,050	2,536,542	3,132,892	3,786,558	4,481,570	5,227,033
Net cost	858,879	1,087,089	1,342,668	1,622,811	1,920,673	2,240,157
Total cost [4]	$ 685,125,215	$ 760,872,902	$ 809,410,696	$ 888,459,894	$ 967,752,554	$ 1,047,304,402
Difference from current plans & carriers	$ (6,169,764)	$ (9,871,889)	$ (44,761,104)	$ (49,853,566)	$ (54,301,135)	$ (58,342,306)
Difference as percentage of current plans' total cost	-0.89%	-1.28%	-5.24%	-5.31%	-5.31%	-5.28%

Footnotes

1. Does not include employer HRA contributions or changes from PBM direct contracting or health risk appraisal expansion.
2. Assumes that all plans, including the current plan mix in a new pool, have the same administrative costs under the new pool.
3. Assumes that all new plans, including the current plan mix in a new pool, have the same stop loss cost, with a 70% loss ratio.
4. Equals claims plus retention plus stop loss net cost.

Exhibit 15.3

Comparison of Projected Costs: Current Plans & Arrangements Versus Proposed Plans and Pool

This exhibit does not include the impact of PBM direct contracting or wellness-health risk appraisal initiative.

	New Self-Funded Pool: Consumer Driven Plan					
	Projected Years					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Claims [1]	$ 485,520,752	$ 550,847,808	$ 618,602,088	$ 687,576,221	$ 756,333,843	$ 825,160,223
Change from current plan mix	*-20.89%*	*-20.11%*	*-19.35%*	*-18.66%*	*-18.06%*	*-17.53%*
Retention						
Stabilization reserve contribution	24,276,038	25,647,785	1,092,492	297,860	0	0
as a % of claims	*5.00%*	*4.66%*	*0.18%*	*0.04%*	*0.00%*	*0.00%*
Carrier or TPA administration [2]	34,675,679	35,973,291	37,351,073	38,780,136	40,280,743	41,876,779
as a % of claims	*7.14%*	*6.53%*	*6.04%*	*5.64%*	*5.33%*	*5.07%*
Central pool administration [2]	5,201,731	2,213,040	2,297,800	2,385,714	2,478,030	2,576,217
as a % of claims	*1.07%*	*0.40%*	*0.37%*	*0.35%*	*0.33%*	*0.31%*
Total retention	64,153,448	63,834,116	40,741,365	41,463,710	42,758,773	44,452,996
as a % of claims	*13.21%*	*11.59%*	*6.59%*	*6.03%*	*5.65%*	*5.39%*
Stop loss						
Premium [3]	2,862,929	3,623,631	4,475,560	5,409,369	6,402,243	7,467,190
Assumed claims [3]	2,004,050	2,536,542	3,132,892	3,786,558	4,481,570	5,227,033
Net cost	858,879	1,087,089	1,342,668	1,622,811	1,920,673	2,240,157
Total cost [4]	550,533,079	615,769,014	660,686,121	730,662,742	801,013,289	871,853,376
Difference from current plans & carriers	(140,761,900)	(154,975,778)	(193,485,678)	(207,650,718)	(221,040,400)	(233,793,333)
Difference as % of current plans/curr carriers total cost	*-20.36%*	*-20.11%*	*-22.65%*	*-22.13%*	*-21.63%*	*-21.15%*
Difference from current plans with new pool	(134,592,136)	(145,103,889)	(148,724,574)	(157,797,152)	(166,739,265)	(175,451,026)
Difference as % of current plans/new pool total cost	*-19.64%*	*-19.07%*	*-18.37%*	*-17.76%*	*-17.23%*	*-16.75%*

Footnotes

1. Does not include employer HRA contributions or changes from PBM direct contracting or health risk appraisal expansion.
2. Assumes that all plans, including the current plan mix in a new pool, have the same administrative costs under the new pool.
3. Assumes that all new plans, including the current plan mix in a new pool, have the same stop loss cost, with a 70% loss ratio.
4. Equals claims plus retention plus stop loss net cost.

Exhibit 15.4

Comparison of Projected Costs: Current Plans & Arrangements Versus Proposed Plans and Pool

This exhibit does not include the impact of PBM direct contracting or wellness-health risk appraisal initiative.

	New Self-Funded Pool: Prototype Plan 1					
	Projected Years					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Claims [1]	$ 570,175,437	$ 640,341,287	$ 712,379,682	$ 785,398,599	$ 857,655,270	$ 929,698,313
Change from current plan mix	*-7.09%*	*-7.13%*	*-7.13%*	*-7.09%*	*-7.09%*	*-7.09%*
Retention						
Stabilization reserve contribution	28,508,772	29,814,652	1,258,110	340,237	0	0
as a % of claims	*5.00%*	*4.66%*	*0.18%*	*0.04%*	*0.00%*	*0.00%*
Carrier or TPA administration [2]	34,675,679	35,973,291	37,351,073	38,780,136	40,280,743	41,876,779
as a % of claims	*6.08%*	*5.62%*	*5.24%*	*4.94%*	*4.70%*	*4.50%*
Central pool administration [2]	5,201,731	2,213,040	2,297,800	2,385,714	2,478,030	2,576,217
as a % of claims	*0.91%*	*0.35%*	*0.32%*	*0.30%*	*0.29%*	*0.28%*
Total retention	68,386,182	68,000,983	40,906,983	41,506,087	42,758,773	44,452,996
as a % of claims	*11.99%*	*10.62%*	*5.74%*	*5.28%*	*4.99%*	*4.78%*
Stop loss [3]						
Premium	2,862,929	3,623,631	4,475,560	5,409,369	6,402,243	7,467,190
Assumed claims	2,004,050	2,536,542	3,132,892	3,786,558	4,481,570	5,227,033
Net cost	858,879	1,087,089	1,342,668	1,622,811	1,920,673	2,240,157
Total cost [4]	639,420,497	709,429,359	754,629,332	828,527,497	902,334,716	976,391,466
Difference from current plans & carriers	(51,874,482)	(61,315,432)	(99,542,468)	(109,785,963)	(119,718,973)	(129,255,243)
Difference as % of current plans/curr carriers total cost	*-7.50%*	*-7.96%*	*-11.65%*	*-11.70%*	*-11.71%*	*-11.69%*
Difference from current plans with new pool	(45,704,718)	(51,443,543)	(54,781,364)	(59,932,397)	(65,417,838)	(70,912,936)
Difference as % of current plans/new pool total cost	*-6.67%*	*-6.76%*	*-6.77%*	*-6.75%*	*-6.76%*	*-6.77%*

Footnotes

1. Does not include changes from PBM direct contracting or health risk appraisal expansion.
2. Assumes that all plans, including the current plan mix in a new pool, have the same administrative costs under the new pool.
3. Assumes that all new plans, including the current plan mix in a new pool, have the same stop loss cost, with a 70% loss ratio.
4. Equals claims plus retention plus stop loss net cost.

Exhibit 15.5

Comparison of Projected Costs: Current Plans & Arrangements Versus Proposed Plans and Pool

This exhibit does not include the impact of PBM direct contracting or wellness-health risk appraisal initiative.

	New Self-Funded Pool: Prototype Plan 2					
	Projected Years					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Claims [1]	$ 522,978,764	$ 589,949,294	$ 658,973,361	$ 729,154,024	$ 799,152,810	$ 868,679,105
Change from current plan mix	*-14.78%*	*-14.44%*	*-14.09%*	*-13.74%*	*-13.42%*	*-13.19%*
Retention						
Stabilization reserve contribution	26,148,938	27,468,372	1,163,790	315,872	0	0
as a % of claims	*5.00%*	*4.66%*	*0.18%*	*0.04%*	*0.00%*	*0.00%*
Carrier or TPA administration [2]	34,675,679	35,973,291	37,351,073	38,780,136	40,280,743	41,876,779
as a % of claims	*6.63%*	*6.10%*	*5.67%*	*5.32%*	*5.04%*	*4.82%*
Central pool administration [2]	5,201,731	2,213,040	2,297,800	2,385,714	2,478,030	2,576,217
as a % of claims	*0.99%*	*0.38%*	*0.35%*	*0.33%*	*0.31%*	*0.30%*
Total retention	66,026,348	65,654,704	40,812,663	41,481,722	42,758,773	44,452,996
as a % of claims	*12.63%*	*11.13%*	*6.19%*	*5.69%*	*5.35%*	*5.12%*
Stop loss [3]						
Premium	2,862,929	3,623,631	4,475,560	5,409,369	6,402,243	7,467,190
Assumed claims	2,004,050	2,536,542	3,132,892	3,786,558	4,481,570	5,227,033
Net cost	858,879	1,087,089	1,342,668	1,622,811	1,920,673	2,240,157
Total cost [4]	589,863,991	656,691,087	701,128,693	772,258,557	843,832,256	915,372,258
Difference from current plans & carriers	(101,430,988)	(114,053,705)	(153,043,107)	(166,054,904)	(178,221,433)	(190,274,451)
Difference as % of current plans/curr carriers total cost	*-14.67%*	*-14.80%*	*-17.92%*	*-17.70%*	*-17.44%*	*-17.21%*
Difference from current plans with new pool	(95,261,224)	(104,181,816)	(108,282,003)	(116,201,337)	(123,920,298)	(131,932,144)
Difference as % of current plans/new pool total cost	*-13.90%*	*-13.69%*	*-13.38%*	*-13.08%*	*-12.80%*	*-12.60%*

Footnotes

1. Does not include changes from PBM direct contracting or health risk appraisal expansion.
2. Assumes that all plans, including the current plan mix in a new pool, have the same administrative costs under the new pool.
3. Assumes that all new plans, including the current plan mix in a new pool, have the same stop loss cost, with a 70% loss ratio.
4. Equals claims plus retention plus stop loss net cost.

Exhibit 15.6

Comparison of Projected Costs: Current Plans & Arrangements Versus Proposed Plans and Pool

This exhibit does not include the impact of PBM direct contracting or wellness-health risk appraisal initiative.

	New Self-Funded Pool: Prototype Plan 3					
	Projected Years					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Claims [1]	$ 492,413,701	$ 557,930,203	$ 625,718,723	$ 694,860,642	$ 763,651,845	$ 832,380,511
Change from current plan mix	*-19.76%*	*-19.08%*	*-18.43%*	*-17.80%*	*-17.27%*	*-16.81%*
Retention						
Stabilization reserve contribution	24,620,685	25,977,545	1,105,061	301,016	0	0
as a % of claims	*5.00%*	*4.66%*	*0.18%*	*0.04%*	*0.00%*	*0.00%*
Carrier or TPA administration [2]	34,675,679	35,973,291	37,351,073	38,780,136	40,280,743	41,876,779
as a % of claims	*7.04%*	*6.45%*	*5.97%*	*5.58%*	*5.27%*	*5.03%*
Central pool administration [2]	5,201,731	2,213,040	2,297,800	2,385,714	2,478,030	2,576,217
as a % of claims	*1.06%*	*0.40%*	*0.37%*	*0.34%*	*0.32%*	*0.31%*
Total retention	64,498,095	64,163,877	40,753,934	41,466,866	42,758,773	44,452,996
as a % of claims	*13.10%*	*11.50%*	*6.51%*	*5.97%*	*5.60%*	*5.34%*
Stop loss [3]						
Premium	2,862,929	3,623,631	4,475,560	5,409,369	6,402,243	7,467,190
Assumed claims	2,004,050	2,536,542	3,132,892	3,786,558	4,481,570	5,227,033
Net cost	858,879	1,087,089	1,342,668	1,622,811	1,920,673	2,240,157
Total cost [4]	557,770,675	623,181,169	667,815,324	737,950,318	808,331,291	879,073,664
Difference from current plans & carriers	(133,524,304)	(147,563,622)	(186,356,475)	(200,363,142)	(213,722,398)	(226,573,044)
Difference as % of current plans/curr carriers total cost	*-19.32%*	*-19.15%*	*-21.82%*	*-21.35%*	*-20.91%*	*-20.49%*
Difference from current plans with new pool	(127,354,540)	(137,691,733)	(141,595,371)	(150,509,575)	(159,421,263)	(168,230,738)
Difference as % of current plans/new pool total cost	*-18.59%*	*-18.10%*	*-17.49%*	*-16.94%*	*-16.47%*	*-16.06%*

Footnotes

1. Does not include changes from PBM direct contracting or health risk appraisal expansion.
2. Assumes that all plans, including the current plan mix in a new pool, have the same administrative costs under the new pool.
3. Assumes that all new plans, including the current plan mix in a new pool, have the same stop loss cost, with a 70% loss ratio.
4. Equals claims plus retention plus stop loss net cost.

Exhibit 15.7

Comparison of Projected Costs: Current Plans & Arrangements Versus Proposed Plans and Pool

This exhibit does not include the impact of PBM direct contracting or wellness-health risk appraisal initiative.

	New Self-Funded Pool: Prototype Plan 4					
	Projected Years					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Claims [1]	$ 458,222,989	$ 521,250,637	$ 586,667,592	$ 653,547,697	$ 720,536,336	$ 787,546,216
Change from current plan mix	*-25.33%*	*-24.40%*	*-23.52%*	*-22.68%*	*-21.94%*	*-21.29%*
Retention						
Stabilization reserve contribution	22,911,149	24,269,724	1,036,094	283,119	0	0
as a % of claims	*5.00%*	*4.66%*	*0.18%*	*0.04%*	*0.00%*	*0.00%*
Carrier or TPA administration [2]	34,675,679	35,973,291	37,351,073	38,780,136	40,280,743	41,876,779
as a % of claims	*7.57%*	*6.90%*	*6.37%*	*5.93%*	*5.59%*	*5.32%*
Central pool administration [2]	5,201,731	2,213,040	2,297,800	2,385,714	2,478,030	2,576,217
as a % of claims	*1.14%*	*0.42%*	*0.39%*	*0.37%*	*0.34%*	*0.33%*
Total retention	62,788,560	62,456,055	40,684,967	41,448,969	42,758,773	44,452,996
as a % of claims	*13.70%*	*11.98%*	*6.93%*	*6.34%*	*5.93%*	*5.64%*
Stop loss [3]						
Premium	2,862,929	3,623,631	4,475,560	5,409,369	6,402,243	7,467,190
Assumed claims	2,004,050	2,536,542	3,132,892	3,786,558	4,481,570	5,227,033
Net cost	858,879	1,087,089	1,342,668	1,622,811	1,920,673	2,240,157
Total cost [4]	521,870,428	584,793,782	628,695,227	696,619,477	765,215,782	834,239,369
Difference from current plans & carriers	(169,424,552)	(185,951,010)	(225,476,573)	(241,693,983)	(256,837,907)	(271,407,340)
Difference as % of current plans/curr carriers total cost	*-24.51%*	*-24.13%*	*-26.40%*	*-25.76%*	*-25.13%*	*-24.55%*
Difference from current plans with new pool	(163,254,788)	(176,079,121)	(180,715,469)	(191,840,417)	(202,536,772)	(213,065,034)
Difference as % of current plans/new pool total cost	*-23.83%*	*-23.14%*	*-22.33%*	*-21.59%*	*-20.93%*	*-20.34%*

Footnotes

1. Does not include changes from PBM direct contracting or health risk appraisal expansion.
2. Assumes that all plans, including the current plan mix in a new pool, have the same administrative costs under the new pool.
3. Assumes that all new plans, including the current plan mix in a new pool, have the same stop loss cost, with a 70% loss ratio.
4. Equals claims plus retention plus stop loss net cost.

Exhibit 16

Unexpected Cost Increase Scenario: Contributions to Reserves (Risk Charges)

Assume claims unexpectedly increase 5.00% in years 3 and 4 beyond the level the pool assumes in its rate setting.
Since the purpose of the pool's stabilization reserve is to absorb unexpected increases like this and keep the districts' premiums relatively stable, the pool will gradually build its stabilization reserve back up over 3 years.

1. No unexpected increases	Contributions to Reserves as Percentages of Claims						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	6 Yr PV
New mandatory pool	5.00%	4.66%	0.18%	0.04%	0.00%	0.00%	1.43%
Fully insured and service coop districts only *	2.45%	1.84%	1.79%	1.78%	1.78%	1.77%	1.88%

2. With unexpected increases	Contributions to Reserves as Percentages of Claims						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	6 Yr PV
New mandatory pool	5.00%	4.66%	0.18%	**3.10%**	**3.10%**	**3.10%**	3.12%
Fully insured and service coop districts only *	2.45%	1.84%	1.79%	2.68%	2.64%	2.64%	2.36%

* Net of rate credits. Assume that some carriers will have sufficent surplus to absorb unexpected claims.

Unexpected Cost Increase Scenario: Cash Flow of the Pool (in millions)

1. No unexpected increases	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Revenue from districts	$ 685.1	$ 760.9	$ 809.4	$ 888.5	$ 967.8	$ 1,047.3
Incurred claims	613.7	689.5	767.1	845.3	923.1	1,000.6
Retention						
Risk charges	30.7	32.1	1.4	**0.4**	**0.0**	**0.0**
Other	39.9	38.2	39.6	41.2	42.8	44.5
Stop loss cost	0.9	1.1	1.3	1.6	1.9	2.2
Net surplus (deficit)	-	-	-	(0.0)	-	(0.0)
Investment income on reserves	2.0	5.1	6.5	7.6	8.3	9.1
Stabilization reserve balance at year-end	32.70	69.9	77.7	85.7	94.0	103.1
Stabilization reserve as % of annual claims **	5.33%	10.13%	10.13%	10.14%	10.19%	10.30%

2. With unexpected increases	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Revenue from districts	$ 685.1	$ 760.9	$ 809.4	$ 915.5	$ 1,043.1	$ 1,129.0
Incurred claims	613.7	689.5	805.4	887.6	969.2	1,050.6
Retention						
Risk charges	30.7	32.1	1.4	**26.2**	**28.6**	**31.0**
Other	39.9	38.2	39.6	41.2	42.8	44.5
Stop loss cost	0.9	1.1	1.3	1.6	1.9	2.2
Net surplus (deficit)	-	-	(38.4)	(42.3)	-	(0.0)
Investment income on reserves	2.0	5.1	6.0	6.1	7.1	8.9
Stabilization reserve balance at year-end	32.70	69.9	38.8	28.9	64.6	104.5
Stabilization reserve as % of annual claims	5.33%	10.13%	4.82%	3.26%	6.67%	9.95%

** Year 3 and beyond stabilization reserve is slightly higher than targeted 9.82%, due to investment income simplification for this illustration.

Exhibit 17

Mandatory Pool (MP) Versus Voluntary Pools (VP): Advantages and Disadvantages

Item	Comparison
Administrative Cost	TPA or carrier cost is 2.5% higher with VP, due to smaller expected size of overall pool. Internal pool administrative cost is about the same for both MP and VP in year 1, but 62% higher after year 1 with VP, due to smaller VP's smaller size and the necessity of VP to underwrite and "market" its rates and plans every year, in competition with other carriers. After year 1, added adminstrative cost adds 0.2% to 0.3% to the overall cost of VP versus MP.
Commissions	We assume that, with MP, districts would not need to retain brokers and pay commissions. With VP, we assume that districts currently using brokers and paying commissions will continue to do so. Commission adds 0.4% to the overall cost of VP versus MP.
Contributions to Reserves (Risk Charges)	MP should hold a stabilization reserve equal to 9.8% of annual claims, to cover unexpected increases in costs above its premium assumptions. However, VP should hold a higher stabilization reserve equal to 11.8% of annual claims. MP will have more year-to-year claims stability, because it will cover the same districts every year. VP needs higher stabilization reserve, because the competitive environment the VP operates in creates a higher probability that premiums will be set too low for some groups. Higher contributions to reserves adds 2% to the overall cost of VP versus MP in year 1, 0.2% in year 2, 0.3% in year 3, and 0.5% after year 3. VP and MP require higher premiums in years 1 and 2 to build the stabilization reserve. However, because VP operates in a competitive environment, it may not be able to get the extra premium, because competing carriers already have surplus and do not need as large a premium margin.
Stop Loss	We assume MP is large enough to bear the risk of claims under $500,000 per member, increasing this periodically. Also, MP should be large and stable enough such that aggregate stop loss is not necessary. VP is smaller than MP--in our projections, we assume VP grows to 60% of all school district members, so VP may not be able to assume this much risk. We assume VP would buy stop loss at the $250,000 $300,000 level initially, increasing the level periodically. VP may also need to purchase aggregate stop loss. Higher net stop loss cost adds approximately 0.3% to the overall cost of VP versus MP.
Freedom of Choice	In a voluntary market, districts retain the freedom to choose any carrier or plan they want. During particular market cycles, districts may be able to take advantage of a carrier's temporary competitive advantage and negotiate lower rates from carriers eager to increase their market share. VP allows districts (primarily large districts) with low claims to get lower rates for as long as its claims stay low. Other groups may pay more. MP requires some degree of experience pooling across all districts in a region, so that districts with low claims and districts with high claims have the same rates or rates with a narrow range.
Year to Year Rate Swings	In a voluntary market, both large and small group rating reflect the group's experience to some extent. This causes a given group's rates to change much more or less than overall average trend in a particular year. VP can soften, but not eliminate, these wide swings, because VP rating methods must have some aspects similar to carriers' rating methods; otherwise, it will lose its good groups and spiral downward. MP can eliminate this problem and use overall pool rates or a narrower band of rates, because districts must stay in MP.

Exhibit 18

Estimates of Employee and Retiree Contribution Rates

Percentages of Total Benefit Cost Paid Via Payroll/Pension Deductions

(Based on ISD responses that clearly identified retiree contributions)

	Active Employees *	Total Monthly Premium	Contributions From Pay	% of Total
Single	43,237	$14,719,169	$227,279	1.54%
Family	29,279	23,879,529	5,169,729	21.65%
Total active	72,517	$38,598,699	$5,397,008	13.98%
	Retirees *	Total Monthly Premium	Contributions From Pension	% of Total
Single	9,535	$2,750,964	$1,627,322	59.15%
Family	3,560	2,480,337	1,462,059	58.95%
Total retired	13,095	$5,231,302	$3,089,381	59.06%
Total	85,612	$43,830,000	$8,486,389	19.36%

* ISD survey response rate was less than 100% of districts.

Exhibit 19

Cash in Lieu of Coverage Financial Implications

1. Assume single employee monthly total cost of $300.00 2001-02 avg single employee premium: $287.40

2. Assume that the district pays the following amounts each month:
   a. Single employees who elect coverage: District pays full cost: $300.00

   b.Single employees who waive coverage: District pays * $150.00
   Cash in lieu equals 50% of full cost.

   * The cash payment may be in the form of a larger employer contribution to the employee's health reimbursement account.

3. Assume a district of 500 total employees, of whom:
   425 take coverage and 75 opt for the cash in lieu.

4. Assume that the overall risk pool sets a fixed premium each year to each district; the pool will not retroactively assess districts for higher than expected claims in a year.

5. Assume that employees who opt out of coverage have claims 40% below average, and employees taking coverage have claims 7.1% above average.**
   ** These percentages average out to 0% across the entire district. Many employees both taking coverage opting for cash in lieu have spousal coverage available. We assume that employees opting for cash in lieu see little benefit from dual coverage, because they are healthier and expect to have fewer claims.

First Year: In setting its Year 1 rates, risk pool assumes that all district employees are covered.

(Negative amounts are outflow or losses; positive amounts are income or gain)						
	Cash In Lieu Offered			No Cash In Lieu Offered		
	Employee	District	Risk Pool	Employee	District	Risk Pool
Premiums	$ -	$ (1,530,000)	$ 1,530,000	$ -	$ (1,800,000)	$ 1,800,000
Cash in lieu payments	135,000	(135,000)	-	-	-	-
Claims & expenses*** incurred	-	-	(1,638,000)	-	-	(1,800,000)
Net result	$ 135,000	$ (1,665,000)	$ (108,000)	$ -	$ (1,800,000)	$ -
Difference from no cash in lieu	**$ 135,000**	**$ 135,000**	**$ (108,000)**			
Monthly cost per covered employee			$ (321.18)			$ (300.00)
Pool loss as % of premiums			-7.06%			

*** To simplify this illustration, we assume that the premium the risk pool changes districts equals the expected claims of employees plus adminstrative expenses. We also asssume that administrative is proportional to claims.

Exhibit 19

Cash in Lieu of Coverage Financial Implications

2nd Year: In setting Year 2 rates, risk pool assumes Year 1 claims and 85% of all employees are covered (Year 1 %). However, at start of Year 2, another 15.0% or 64 of Year 1 covered employees opt for cash in lieu in Year 2. Assume employees opting for cash in lieu in Year 2 have claims 30% below the average of the Year 1 covered employees, employees taking coverage in Year 2 have claims 5.3% above the average. **To simplify this illustration, we assume no claims or premium trend from Year 1 to Year 2.** Year 2 premium, based only on Year 1 experience, is $ 321.18 ;cash in lieu is $160.59 per employee.

(Negative amounts are outflow or losses; positive amounts are income or gain)						
	Cash In Lieu Offered			No Cash In Lieu Offered		
	Employee	District	Risk Pool	Employee	District	Risk Pool
Premiums	$ -	$ (1,392,300)	$ 1,392,300	$ -	$ (1,800,000)	$ 1,800,000
Cash in lieu payments	267,379	(267,379)	-	-	-	-
Claims & expenses*** incurred	-	-	(1,466,010)	-	-	(1,800,000)
Net result	$ 267,379	$ (1,659,679)	$ (73,710)	$ -	$ (1,800,000)	$ -
Difference from no cash in lieu	**$ 267,379**	**$ 140,321**	**$ (73,710)**			
Monthly cost per covered employee			$ (338.18)			$ (300.00)
Pool loss as % of premiums			-5.29%			

Conclusions:
1. Employees who opt for cash in lieu get a cash windfall. Presumably, they're covered by their spouses.
2. School districts benefit from not having to pay premiums for some of their employees. In this example, cash in lieu payments are only half of the full premium cost. On the downside, the premiums per employee staying in the plans are higher in years 2 and later with cash in lieu, because the remaining plan members have higher than average claims.
3. If the overall risk pool sets its premiums for school districts prospectively and assumes the previous year's enrollment, then it will suffer losses, unless it can anticipate the number and relative claim level of employees opting for cash in the NEXT year.

Notes for Exhibits 20.1, 20.2, and 20.3

Exhibit 20.1

This exhibit illustrates how the transition rate bracketing works over the initial 4 years.
To simplify the exhibit, we assume all groups have chosen Prototype Plan 1 as their only plan.
All premiums are per member per month (PMPM). Some districts may appear twice, if they used more than one carrier.

Year 1: Each group has its own premium, based on manual rates, its own past experience, or a blend of the two. The "Premium Average" is the average premium of all districts in the region. The "Change from Average" is the percentage that each district's rate is above or below the average for the region.

Year 2: "Trended Begin[ning] Rate" for each district is the previous year's premium increased by trend. Based on how the trended premium compares to the average trended premium of all districts in the region, we place the district in one of 5 rate brackets*: 1) 15% below the region average; 2) 7.5% below the region average; 3) equal to the region average; 4) 7.5% above the region average, and 5) 15% above the region average. The "Bracket Average" premium is the average of all the bracketed premiums. This average is very close to the average of the trended Year 1 premiums.
The "Change from the Bracket Average" is the percentage that each district's bracket rate is above or below the bracket average premium.
The "Change from Begin[ning] Rate" is the percentage difference between the district's final bracket premium for Year 2 and the beginning, trended Year 1 premium. These differences arise due to the rate bracketing process. 77% of the districts have final bracket premiums within 5% of their beginning premiums for Year 2.

Year 3: This is basically the same as Year 2, except now the 5 rate brackets* are:
1) 10% below the region average; 2) 5% below the region; 3) equal to region average; 4) 5% above the region average; and 5) 10% above the region average.

Year 4: This is basically the same as Year 3 except now there are only 3 rate brackets*:
1) 5% below the region average; 2) equal to region average; 3) 5% above the region average.
This is rate spread we suggest the pool retain for future years. In this illustration, we show the districts at Year 4 rate levels that are based on Year 1 rate levels. In practice, the Year 4 rating would be based to a small or possibly no extent on the group's experience and more to pool rates and district compliance issues.

* Districts that would have more than a 15% additional rate increase or decrease due to bracketing alone are limited to plus or minus 15% from their trended beginning rates.

Notes for Exhibits 20.1, 20.2, and 20.3

Exhibit 20.2

To simplify the exhibit, we assume all groups have chosen Prototype Plan 1 as their only plans.
All premiums are per member per month (PMPM). Some districts may appear twice, if they used more than one carrier.

This exhibit basically summarizes Exhibit 20.1. We placed each district in a range, based on how its Year 1 rate compares to the average rate in the region.
The "Relationship to Region Average" is the percentage that the average rate of the range is more or less than the region average rate.

Exhibit 20.3

Unlike Exhibits 20.1 and 20.2, this exhibit starts with the Year 1 PMPM average premium of the district's *current* plans. These are in the "Current Premium" column of Year 1. The next 4 columns are the rates for Prototype Plans 1-4, based on the district's current premium that we adjusted to reflect the level of benefit in each of Plans 1-4. For this illustration, we did not include the consumer driven plan.
PMPM values above column headings are averages of the PMPM values in the column for the region.

Year 1: The "Final Plan" is one of the Prototype Plans 1-4 that has a premium closest to the current premium. We assume the district chooses this plan. The "Final Premium" is the premium of that Prototype Plan.

Year 2: The "Final Bracket" is the rate bracket for the district, based on the level of its Year 1 rates. See notes for Exhibit 20.1 above. The next 4 columns are the Prototype Plans 1-4 rates for this bracket.
The "Preliminary Premium" is the Year 2 premium for the same Prototype Plan that the district had in Year 1, in the same rate bracket for the district.
The "Change from Year 1 Final to Year 2" is the amount by which the preliminary premium is over or under the final Year 1 premium trended at normal trend rates to Year 2. To keep this illustration simple, we have not limited this change to 15%, as we did in Exhibit 20.1. The change is the impact of the rate bracketing process. If this change is zero or negative, we assume the district stays with its original Year 1 Prototype Plan, so this column will say "Original."
If this change is positive, we assume the district will change to a new Prototype Plan that minimizes the increase from its Year 1 trended rate. This plan and its bracketed premium are in the "New Plan?" and "New Plan Premium" columns. Note that the district's rate bracket stays the same, even if it changes plans.
The last column, "Difference: New Plan vs. Year 1 Trended," is the percentage that the rate of the chosen new plan is over or under the Year 1 final premium trended to Year 2.

Exhibit 20.1
Benefit Projections by Region
All premiums are per member per month and adjusted to Prototype Plan 1 design.

Region 1

		Year 1		Year 2					Year 3					Year 4				
		Premium Avg		Premium Avg		Bracket Avg			Premium Avg		Bracket Avg			Premium Avg		Bracket Avg		
		$269.34		$301.58		$300.21			$320.62		$320.32			$352.99		$351.87		
District Reference ID	Average Members	Year 1 Premium	Change From Average	Trended Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate
1	48	$ 172.22	-36.1%	$ 192.83	1	$ 221.76	-26.1%	15.0%	$ 236.84	1	$ 272.36	-15.0%	15.0%	$ 300.14	1	$ 335.35	-4.7%	11.7%
2	51	190.37	-29.3%	213.15	1	245.12	-18.3%	15.0%	261.79	1	288.56	-9.9%	10.2%	317.99	1	335.35	-4.7%	5.5%
3	328	197.06	-26.8%	220.65	1	253.75	-15.5%	15.0%	271.00	1	288.56	-9.9%	6.5%	317.99	1	335.35	-4.7%	5.5%
4	68	214.06	-20.5%	239.67	1	256.34	-14.6%	7.0%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
5	135	214.67	-20.3%	240.36	1	256.34	-14.6%	6.6%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
6	165	218.86	-18.7%	245.06	1	256.34	-14.6%	4.6%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
7	116	218.93	-18.7%	245.13	1	256.34	-14.6%	4.6%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
8	225	220.59	-18.1%	246.99	1	256.34	-14.6%	3.8%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
9	115	221.25	-17.9%	247.73	1	256.34	-14.6%	3.5%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
10	64	224.68	-16.6%	251.57	1	256.34	-14.6%	1.9%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
11	689	225.77	-16.2%	252.79	1	256.34	-14.6%	1.4%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
12	156	227.09	-15.7%	254.26	1	256.34	-14.6%	0.8%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
13	36	227.74	-15.4%	255.00	1	256.34	-14.6%	0.5%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
14	340	227.95	-15.4%	255.23	1	256.34	-14.6%	0.4%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
15	147	230.02	-14.6%	257.55	1	256.34	-14.6%	-0.5%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
16	76	230.50	-14.4%	258.08	1	256.34	-14.6%	-0.7%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
17	140	231.66	-14.0%	259.38	1	256.34	-14.6%	-1.2%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
18	192	233.37	-13.4%	261.30	1	256.34	-14.6%	-1.9%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
19	253	234.64	-12.9%	262.72	1	256.34	-14.6%	-2.4%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
20	84	237.92	-11.7%	266.40	1	256.34	-14.6%	-3.8%	273.77	1	288.56	-9.9%	5.4%	317.99	1	335.35	-4.7%	5.5%
21	57	246.85	-8.3%	276.40	2	278.96	-7.1%	0.9%	297.93	2	304.59	-4.9%	2.2%	335.66	1	335.35	-4.7%	-0.1%
22	157	247.49	-8.1%	277.11	2	278.96	-7.1%	0.7%	297.93	2	304.59	-4.9%	2.2%	335.66	1	335.35	-4.7%	-0.1%
23	216	248.00	-7.9%	277.69	2	278.96	-7.1%	0.5%	297.93	2	304.59	-4.9%	2.2%	335.66	1	335.35	-4.7%	-0.1%
24	704	251.39	-6.7%	281.48	2	278.96	-7.1%	-0.9%	297.93	2	304.59	-4.9%	2.2%	335.66	1	335.35	-4.7%	-0.1%
25	62	255.08	-5.3%	285.61	2	278.96	-7.1%	-2.3%	297.93	2	304.59	-4.9%	2.2%	335.66	1	335.35	-4.7%	-0.1%
26	69	259.08	-3.8%	290.08	2	278.96	-7.1%	-3.8%	297.93	2	304.59	-4.9%	2.2%	335.66	1	335.35	-4.7%	-0.1%
27	404	259.29	-3.7%	290.32	3	301.58	0.5%	3.9%	322.09	3	320.62	0.1%	-0.5%	353.33	2	352.99	0.3%	-0.1%
28	228	262.47	-2.6%	293.88	3	301.58	0.5%	2.6%	322.09	3	320.62	0.1%	-0.5%	353.33	2	352.99	0.3%	-0.1%
29	242	263.29	-2.2%	294.80	3	301.58	0.5%	2.3%	322.09	3	320.62	0.1%	-0.5%	353.33	2	352.99	0.3%	-0.1%
30	62	265.30	-1.5%	297.05	3	301.58	0.5%	1.5%	322.09	3	320.62	0.1%	-0.5%	353.33	2	352.99	0.3%	-0.1%
31	1,235	266.35	-1.1%	298.23	3	301.58	0.5%	1.1%	322.09	3	320.62	0.1%	-0.5%	353.33	2	352.99	0.3%	-0.1%
32	87	270.64	0.5%	303.03	3	301.58	0.5%	-0.5%	322.09	3	320.62	0.1%	-0.5%	353.33	2	352.99	0.3%	-0.1%
33	237	275.36	2.2%	308.31	3	301.58	0.5%	-2.2%	322.09	3	320.62	0.1%	-0.5%	353.33	2	352.99	0.3%	-0.1%
34	42	288.29	7.0%	322.79	4	324.20	8.0%	0.4%	346.24	5	352.69	10.1%	1.9%	388.66	3	370.64	5.3%	-4.6%
35	382	291.35	8.2%	326.22	4	324.20	8.0%	-0.6%	346.24	5	352.69	10.1%	1.9%	388.66	3	370.64	5.3%	-4.6%
36	57	293.44	8.9%	328.56	4	324.20	8.0%	-1.3%	346.24	5	352.69	10.1%	1.9%	388.66	3	370.64	5.3%	-4.6%
37	50	297.42	10.4%	333.02	4	324.20	8.0%	-2.6%	346.24	5	352.69	10.1%	1.9%	388.66	3	370.64	5.3%	-4.6%
38	392	302.77	12.4%	339.00	5	346.82	15.5%	2.3%	370.40	5	352.69	10.1%	-4.8%	388.66	3	370.64	5.3%	-4.6%
39	159	308.33	14.5%	345.23	5	346.82	15.5%	0.5%	370.40	5	352.69	10.1%	-4.8%	388.66	3	370.64	5.3%	-4.6%
40	1,360	311.19	15.5%	348.43	5	346.82	15.5%	-0.5%	370.40	5	352.69	10.1%	-4.8%	388.66	3	370.64	5.3%	-4.6%
41	259	311.73	15.7%	349.04	5	346.82	15.5%	-0.6%	370.40	5	352.69	10.1%	-4.8%	388.66	3	370.64	5.3%	-4.6%
42	119	316.33	17.4%	354.19	5	346.82	15.5%	-2.1%	370.40	5	352.69	10.1%	-4.8%	388.66	3	370.64	5.3%	-4.6%
43	342	317.99	18.1%	356.04	5	346.82	15.5%	-2.6%	370.40	5	352.69	10.1%	-4.8%	388.66	3	370.64	5.3%	-4.6%
44	149	329.40	22.3%	368.82	5	346.82	15.5%	-6.0%	370.40	5	352.69	10.1%	-4.8%	388.66	3	370.64	5.3%	-4.6%
45	98	341.95	27.0%	382.88	5	346.82	15.5%	-9.4%	370.40	5	352.69	10.1%	-4.8%	388.66	3	370.64	5.3%	-4.6%
46	66	353.79	31.4%	396.14	5	346.82	15.5%	-12.5%	370.40	5	352.69	10.1%	-4.8%	388.66	3	370.64	5.3%	-4.6%
47	450	369.30	37.1%	413.49	5	351.47	17.1%	-15.0%	375.37	5	352.69	10.1%	-6.0%	388.66	3	370.64	5.3%	-4.6%
48	55	390.32	44.9%	437.03	5	371.48	23.7%	-15.0%	396.74	5	352.69	10.1%	-11.1%	388.66	3	370.64	5.3%	-4.6%

Exhibit 20.1
Benefit Projections by Region
All premiums are per member per month and adjusted to Prototype Plan 1 design.

Region 2

		Year 1		Year 2					Year 3					Year 4				
		Premium Avg $305.01		Premium Avg $341.51		Bracket Avg $341.37			Premium Avg $364.59		Bracket Avg $365.56			Premium Avg $402.84		Bracket Avg $406.02		
District Reference ID	Average Members	Year 1 Premium	Change From Average	Trended Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate
49	387	$ 169.75	-44.3%	$ 190.06	1	$ 218.57	-36.0%	15.0%	$ 233.43	1	$ 268.45	-26.6%	15.0%	$ 295.83	1	$ 340.20	-16.2%	15.0%
50	1,402	188.50	-38.2%	211.06	1	242.72	-28.9%	15.0%	259.22	1	298.11	-18.5%	15.0%	328.51	1	377.79	-7.0%	15.0%
51	277	205.09	-32.8%	229.64	1	264.09	-22.6%	15.0%	282.04	1	323.21	-11.6%	14.6%	356.17	1	382.70	-5.7%	7.4%
52	88	216.13	-29.1%	241.99	1	278.29	-18.5%	15.0%	297.21	1	323.21	-11.6%	8.7%	356.17	1	382.70	-5.7%	7.4%
53	156	229.94	-24.6%	257.46	1	290.28	-15.0%	12.8%	310.02	1	323.21	-11.6%	4.3%	356.17	1	382.70	-5.7%	7.4%
54	137	234.13	-23.2%	262.15	1	290.28	-15.0%	10.7%	310.02	1	323.21	-11.6%	4.3%	356.17	1	382.70	-5.7%	7.4%
55	81	241.50	-20.8%	270.40	1	290.28	-15.0%	7.4%	310.02	1	323.21	-11.6%	4.3%	356.17	1	382.70	-5.7%	7.4%
56	17	242.91	-20.4%	271.98	1	290.28	-15.0%	6.7%	310.02	1	323.21	-11.6%	4.3%	356.17	1	382.70	-5.7%	7.4%
57	54	243.05	-20.3%	272.14	1	290.28	-15.0%	6.7%	310.02	1	323.21	-11.6%	4.3%	356.17	1	382.70	-5.7%	7.4%
58	217	245.77	-19.4%	275.18	1	290.28	-15.0%	5.5%	310.02	1	323.21	-11.6%	4.3%	356.17	1	382.70	-5.7%	7.4%
59	197	256.10	-16.0%	286.74	1	290.28	-15.0%	1.2%	310.02	1	323.21	-11.6%	4.3%	356.17	1	382.70	-5.7%	7.4%
60	549	266.17	-12.7%	298.02	1	290.28	-15.0%	-2.6%	310.02	1	323.21	-11.6%	4.3%	356.17	1	382.70	-5.7%	7.4%
61	190	271.31	-11.0%	303.78	2	315.90	-7.5%	4.0%	337.38	2	341.16	-6.7%	1.1%	375.96	1	382.70	-5.7%	1.8%
62	201	275.94	-9.5%	308.97	2	315.90	-7.5%	2.2%	337.38	2	341.16	-6.7%	1.1%	375.96	1	382.70	-5.7%	1.8%
63	221	276.61	-9.3%	309.72	2	315.90	-7.5%	2.0%	337.38	2	341.16	-6.7%	1.1%	375.96	1	382.70	-5.7%	1.8%
64	188	281.13	-7.8%	314.78	2	315.90	-7.5%	0.4%	337.38	2	341.16	-6.7%	1.1%	375.96	1	382.70	-5.7%	1.8%
65	257	289.72	-5.0%	324.40	2	315.90	-7.5%	-2.6%	337.38	2	341.16	-6.7%	1.1%	375.96	1	382.70	-5.7%	1.8%
66	482	291.43	-4.5%	326.31	2	315.90	-7.5%	-3.2%	337.38	2	341.16	-6.7%	1.1%	375.96	1	382.70	-5.7%	1.8%
67	75	296.26	-2.9%	331.71	3	341.51	0.0%	3.0%	364.73	3	359.12	-1.8%	-1.5%	395.75	2	402.84	-0.8%	1.8%
68	467	298.44	-2.2%	334.16	3	341.51	0.0%	2.2%	364.73	3	359.12	-1.8%	-1.5%	395.75	2	402.84	-0.8%	1.8%
69	988	301.29	-1.2%	337.35	3	341.51	0.0%	1.2%	364.73	3	359.12	-1.8%	-1.5%	395.75	2	402.84	-0.8%	1.8%
70	476	302.26	-0.9%	338.43	3	341.51	0.0%	0.9%	364.73	3	359.12	-1.8%	-1.5%	395.75	2	402.84	-0.8%	1.8%
71	34	308.05	1.0%	344.91	3	341.51	0.0%	-1.0%	364.73	3	359.12	-1.8%	-1.5%	395.75	2	402.84	-0.8%	1.8%
72	646	316.21	3.7%	354.06	3	341.51	0.0%	-3.5%	364.73	3	359.12	-1.8%	-1.5%	395.75	2	402.84	-0.8%	1.8%
73	509	329.90	8.2%	369.38	4	367.12	7.5%	-0.6%	392.09	5	395.03	8.1%	0.8%	435.32	3	422.99	4.2%	-2.8%
74	407	333.25	9.3%	373.13	4	367.12	7.5%	-1.6%	392.09	5	395.03	8.1%	0.8%	435.32	3	422.99	4.2%	-2.8%
75	4,124	333.32	9.3%	373.22	4	367.12	7.5%	-1.6%	392.09	5	395.03	8.1%	0.8%	435.32	3	422.99	4.2%	-2.8%
76	156	334.75	9.8%	374.81	4	367.12	7.5%	-2.1%	392.09	5	395.03	8.1%	0.8%	435.32	3	422.99	4.2%	-2.8%
77	271	340.58	11.7%	381.34	5	392.74	15.0%	3.0%	419.44	5	395.03	8.1%	-5.8%	435.32	3	422.99	4.2%	-2.8%
78	62	345.93	13.4%	387.33	5	392.74	15.0%	1.4%	419.44	5	395.03	8.1%	-5.8%	435.32	3	422.99	4.2%	-2.8%
79	406	347.51	13.9%	389.09	5	392.74	15.0%	0.9%	419.44	5	395.03	8.1%	-5.8%	435.32	3	422.99	4.2%	-2.8%
80	628	350.49	14.9%	392.44	5	392.74	15.0%	0.1%	419.44	5	395.03	8.1%	-5.8%	435.32	3	422.99	4.2%	-2.8%
81	213	353.50	15.9%	395.81	5	392.74	15.0%	-0.8%	419.44	5	395.03	8.1%	-5.8%	435.32	3	422.99	4.2%	-2.8%
82	342	357.35	17.2%	400.12	5	392.74	15.0%	-1.8%	419.44	5	395.03	8.1%	-5.8%	435.32	3	422.99	4.2%	-2.8%
83	273	360.98	18.4%	404.19	5	392.74	15.0%	-2.8%	419.44	5	395.03	8.1%	-5.8%	435.32	3	422.99	4.2%	-2.8%
84	313	365.20	19.7%	408.90	5	392.74	15.0%	-4.0%	419.44	5	395.03	8.1%	-5.8%	435.32	3	422.99	4.2%	-2.8%
85	964	379.34	24.4%	424.74	5	392.74	15.0%	-7.5%	419.44	5	395.03	8.1%	-5.8%	435.32	3	422.99	4.2%	-2.8%
85	222	409.14	34.1%	458.11	5	392.74	15.0%	-14.3%	419.44	5	395.03	8.1%	-5.8%	435.32	3	422.99	4.2%	-2.8%

Exhibit 20.1
Benefit Projections by Region
All premiums are per member per month and adjusted to Prototype Plan 1 design.

Region 3

		Year 1		Year 2					Year 3					Year 4				
		Premium Avg $257.56		Premium Avg $288.38		Bracket Avg $289.99			Premium Avg $309.71		Bracket Avg $307.85			Premium Avg $339.25		Bracket Avg $339.45		
District Reference ID	Average Members	Year 1 Premium	Change From Average	Trended Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate
86	149	$ 185.45	-28.0%	$ 207.65	1	$ 238.80	-17.7%	15.0%	$ 255.03	1	$ 278.74	-9.5%	9.3%	$ 307.17	1	$ 322.29	-5.1%	4.9%
87	2,196	190.82	-25.9%	213.66	1	245.13	-15.5%	14.7%	261.79	1	278.74	-9.5%	6.5%	307.17	1	322.29	-5.1%	4.9%
88	127	194.53	-24.5%	217.81	1	245.13	-15.5%	12.5%	261.79	1	278.74	-9.5%	6.5%	307.17	1	322.29	-5.1%	4.9%
89	606	197.11	-23.5%	220.70	1	245.13	-15.5%	11.1%	261.79	1	278.74	-9.5%	6.5%	307.17	1	322.29	-5.1%	4.9%
90	110	200.03	-22.3%	223.97	1	245.13	-15.5%	9.4%	261.79	1	278.74	-9.5%	6.5%	307.17	1	322.29	-5.1%	4.9%
91	54	206.06	-20.0%	230.72	1	245.13	-15.5%	6.2%	261.79	1	278.74	-9.5%	6.5%	307.17	1	322.29	-5.1%	4.9%
92	216	209.85	-18.5%	234.97	1	245.13	-15.5%	4.3%	261.79	1	278.74	-9.5%	6.5%	307.17	1	322.29	-5.1%	4.9%
93	210	211.17	-18.0%	236.44	1	245.13	-15.5%	3.7%	261.79	1	278.74	-9.5%	6.5%	307.17	1	322.29	-5.1%	4.9%
94	52	217.45	-15.6%	243.48	1	245.13	-15.5%	0.7%	261.79	1	278.74	-9.5%	6.5%	307.17	1	322.29	-5.1%	4.9%
95	151	222.09	-13.8%	248.67	1	245.13	-15.5%	-1.4%	261.79	1	278.74	-9.5%	6.5%	307.17	1	322.29	-5.1%	4.9%
96	525	227.71	-11.6%	254.96	1	245.13	-15.5%	-3.9%	261.79	1	278.74	-9.5%	6.5%	307.17	1	322.29	-5.1%	4.9%
97	503	228.68	-11.2%	256.05	2	266.75	-8.0%	4.2%	284.89	1	278.74	-9.5%	-2.2%	307.17	1	322.29	-5.1%	4.9%
98	265	229.91	-10.7%	257.43	2	266.75	-8.0%	3.6%	284.89	1	278.74	-9.5%	-2.2%	307.17	1	322.29	-5.1%	4.9%
99	421	230.03	-10.7%	257.56	2	266.75	-8.0%	3.6%	284.89	1	278.74	-9.5%	-2.2%	307.17	1	322.29	-5.1%	4.9%
100	1,028	231.80	-10.0%	259.54	2	266.75	-8.0%	2.8%	284.89	1	278.74	-9.5%	-2.2%	307.17	1	322.29	-5.1%	4.9%
101	711	232.51	-9.7%	260.33	2	266.75	-8.0%	2.5%	284.89	1	278.74	-9.5%	-2.2%	307.17	1	322.29	-5.1%	4.9%
102	47	244.84	-4.9%	274.14	2	266.75	-8.0%	-2.7%	284.89	1	278.74	-9.5%	-2.2%	307.17	1	322.29	-5.1%	4.9%
103	1,109	245.39	-4.7%	274.76	2	266.75	-8.0%	-2.9%	284.89	1	278.74	-9.5%	-2.2%	307.17	1	322.29	-5.1%	4.9%
104	120	247.11	-4.1%	276.68	2	266.75	-8.0%	-3.6%	284.89	1	278.74	-9.5%	-2.2%	307.17	1	322.29	-5.1%	4.9%
105	402	247.67	-3.8%	277.31	2	266.75	-8.0%	-3.8%	284.89	1	278.74	-9.5%	-2.2%	307.17	1	322.29	-5.1%	4.9%
106	247	247.74	-3.8%	277.39	2	266.75	-8.0%	-3.8%	284.89	1	278.74	-9.5%	-2.2%	307.17	1	322.29	-5.1%	4.9%
107	155	247.77	-3.8%	277.43	2	266.75	-8.0%	-3.8%	284.89	1	278.74	-9.5%	-2.2%	307.17	1	322.29	-5.1%	4.9%
108	576	250.02	-2.9%	279.95	3	288.38	-0.6%	3.0%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
109	103	250.28	-2.8%	280.24	3	288.38	-0.6%	2.9%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
110	2,290	250.29	-2.8%	280.24	3	288.38	-0.6%	2.9%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
111	805	250.36	-2.8%	280.33	3	288.38	-0.6%	2.9%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
112	129	250.48	-2.7%	280.46	3	288.38	-0.6%	2.8%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
113	792	250.52	-2.7%	280.50	3	288.38	-0.6%	2.8%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
114	1,950	252.33	-2.0%	282.53	3	288.38	-0.6%	2.1%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
115	192	252.79	-1.9%	283.04	3	288.38	-0.6%	1.9%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
116	74	254.74	-1.1%	285.23	3	288.38	-0.6%	1.1%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
117	137	256.08	-0.6%	286.73	3	288.38	-0.6%	0.6%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
118	500	256.96	-0.2%	287.72	3	288.38	-0.6%	0.2%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
119	146	258.03	0.2%	288.91	3	288.38	-0.6%	-0.2%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
120	357	259.39	0.7%	290.43	3	288.38	-0.6%	-0.7%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
121	917	260.64	1.2%	291.83	3	288.38	-0.6%	-1.2%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
122	243	261.07	1.4%	292.32	3	288.38	-0.6%	-1.3%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
123	231	264.27	2.6%	295.90	3	288.38	-0.6%	-2.5%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
124	301	264.73	2.8%	296.41	3	288.38	-0.6%	-2.7%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
125	255	265.97	3.3%	297.80	3	288.38	-0.6%	-3.2%	307.99	3	309.71	0.6%	0.6%	341.30	2	339.25	-0.1%	-0.6%
126	151	267.72	3.9%	299.76	4	310.01	6.9%	3.4%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
127	1,075	268.28	4.2%	300.39	4	310.01	6.9%	3.2%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
128	263	268.44	4.2%	300.56	4	310.01	6.9%	3.1%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
129	195	268.55	4.3%	300.69	4	310.01	6.9%	3.1%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
130	61	268.56	4.3%	300.70	4	310.01	6.9%	3.1%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
131	312	271.87	5.6%	304.41	4	310.01	6.9%	1.8%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
132	193	274.99	6.8%	307.90	4	310.01	6.9%	0.7%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
133	71	278.34	8.1%	311.65	4	310.01	6.9%	-0.5%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
134	261	279.75	8.6%	313.23	4	310.01	6.9%	-1.0%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
135	667	280.99	9.1%	314.62	4	310.01	6.9%	-1.5%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
136	94	281.01	9.1%	314.64	4	310.01	6.9%	-1.5%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
137	553	284.34	10.4%	318.37	4	310.01	6.9%	-2.6%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
138	314	285.53	10.9%	319.71	4	310.01	6.9%	-3.0%	331.09	4	325.20	5.6%	-1.8%	358.37	3	356.22	4.9%	-0.6%
139	285	286.54	11.3%	320.83	5	331.64	14.4%	3.4%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
140	328	287.39	11.6%	321.78	5	331.64	14.4%	3.1%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
141	76	289.78	12.5%	324.46	5	331.64	14.4%	2.2%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%

Exhibit 20.1
Benefit Projections by Region
All premiums are per member per month and adjusted to Prototype Plan 1 design.

142	579	292.59	13.6%	327.61	5	331.64	14.4%	1.2%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
143	381	292.95	13.7%	328.02	5	331.64	14.4%	1.1%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
144	51	295.22	14.6%	330.56	5	331.64	14.4%	0.3%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
145	1,201	298.05	15.7%	333.72	5	331.64	14.4%	-0.6%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
146	49	302.03	17.3%	338.18	5	331.64	14.4%	-1.9%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
147	568	302.41	17.4%	338.60	5	331.64	14.4%	-2.1%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
148	65	304.57	18.3%	341.02	5	331.64	14.4%	-2.8%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
149	155	322.78	25.3%	361.41	5	331.64	14.4%	-8.2%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
150	37	326.34	26.7%	365.39	5	331.64	14.4%	-9.2%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
151	109	326.45	26.7%	365.52	5	331.64	14.4%	-9.3%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
152	79	333.72	29.6%	373.66	5	331.64	14.4%	-11.2%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
153	177	334.89	30.0%	374.97	5	331.64	14.4%	-11.6%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
154	209	336.78	30.8%	377.08	5	331.64	14.4%	-12.1%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
155	77	341.01	32.4%	381.82	5	331.64	14.4%	-13.1%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
156	162	346.78	34.6%	388.28	5	331.64	14.4%	-14.6%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
157	193	348.14	35.2%	389.81	5	331.64	14.4%	-14.9%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
158	104	348.25	35.2%	389.93	5	331.64	14.4%	-14.9%	354.19	5	340.68	10.7%	-3.8%	375.43	3	356.22	4.9%	-5.1%
159	369	359.57	39.6%	402.60	5	342.21	18.0%	-15.0%	365.48	5	340.68	10.7%	-6.8%	375.43	3	356.22	4.9%	-5.1%
160	45	374.16	45.3%	418.94	5	356.10	22.8%	-15.0%	380.31	5	340.68	10.7%	-10.4%	375.43	3	356.22	4.9%	-5.1%
161	237	396.40	53.9%	443.84	5	377.26	30.1%	-15.0%	402.92	5	342.48	11.2%	-15.0%	377.41	3	356.22	4.9%	-5.6%

Exhibit 20.1
Benefit Projections by Region
All premiums are per member per month and adjusted to Prototype Plan 1 design.

Region 4

		Year 1		Year 2					Year 3					Year 4				
		Premium Avg		Premium Avg		Bracket Avg			Premium Avg		Bracket Avg			Premium Avg		Bracket Avg		
		$280.68		$314.27		$314.10			$335.45		$337.06			$371.44		$368.97		
District Reference ID	Average Members	Year 1 Premium	Change From Average	Trended Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate
162	222	$ 209.93	-25.2%	$ 235.06	1	$ 267.13	-15.0%	13.6%	$ 285.30	1	$ 301.91	-10.4%	5.8%	$ 332.70	1	$ 352.87	-4.4%	6.1%
163	2,755	211.16	-24.8%	236.43	1	267.13	-15.0%	13.0%	285.30	1	301.91	-10.4%	5.8%	332.70	1	352.87	-4.4%	6.1%
164	2,584	218.34	-22.2%	244.47	1	267.13	-15.0%	9.3%	285.30	1	301.91	-10.4%	5.8%	332.70	1	352.87	-4.4%	6.1%
165	1,942	226.12	-19.4%	253.18	1	267.13	-15.0%	5.5%	285.30	1	301.91	-10.4%	5.8%	332.70	1	352.87	-4.4%	6.1%
166	289	228.21	-18.7%	255.52	1	267.13	-15.0%	4.5%	285.30	1	301.91	-10.4%	5.8%	332.70	1	352.87	-4.4%	6.1%
167	510	230.28	-18.0%	257.84	1	267.13	-15.0%	3.6%	285.30	1	301.91	-10.4%	5.8%	332.70	1	352.87	-4.4%	6.1%
168	628	231.06	-17.7%	258.71	1	267.13	-15.0%	3.3%	285.30	1	301.91	-10.4%	5.8%	332.70	1	352.87	-4.4%	6.1%
169	1,214	237.06	-15.5%	265.43	1	267.13	-15.0%	0.6%	285.30	1	301.91	-10.4%	5.8%	332.70	1	352.87	-4.4%	6.1%
170	1,140	237.61	-15.3%	266.04	1	267.13	-15.0%	0.4%	285.30	1	301.91	-10.4%	5.8%	332.70	1	352.87	-4.4%	6.1%
171	3,575	240.22	-14.4%	268.96	1	267.13	-15.0%	-0.7%	285.30	1	301.91	-10.4%	5.8%	332.70	1	352.87	-4.4%	6.1%
172	8,782	249.54	-11.1%	279.40	2	290.70	-7.4%	4.0%	310.47	2	318.68	-5.5%	2.6%	351.19	1	352.87	-4.4%	0.5%
173	5,659	251.20	-10.5%	281.26	2	290.70	-7.4%	3.4%	310.47	2	318.68	-5.5%	2.6%	351.19	1	352.87	-4.4%	0.5%
174	1,870	251.85	-10.3%	281.99	2	290.70	-7.4%	3.1%	310.47	2	318.68	-5.5%	2.6%	351.19	1	352.87	-4.4%	0.5%
175	262	252.67	-10.0%	282.90	2	290.70	-7.4%	2.8%	310.47	2	318.68	-5.5%	2.6%	351.19	1	352.87	-4.4%	0.5%
176	3,491	254.67	-9.3%	285.15	2	290.70	-7.4%	1.9%	310.47	2	318.68	-5.5%	2.6%	351.19	1	352.87	-4.4%	0.5%
177	283	261.54	-6.8%	292.84	2	290.70	-7.4%	-0.7%	310.47	2	318.68	-5.5%	2.6%	351.19	1	352.87	-4.4%	0.5%
178	3,342	263.04	-6.3%	294.53	2	290.70	-7.4%	-1.3%	310.47	2	318.68	-5.5%	2.6%	351.19	1	352.87	-4.4%	0.5%
179	1,488	263.35	-6.2%	294.87	2	290.70	-7.4%	-1.4%	310.47	2	318.68	-5.5%	2.6%	351.19	1	352.87	-4.4%	0.5%
180	10,523	264.08	-5.9%	295.69	2	290.70	-7.4%	-1.7%	310.47	2	318.68	-5.5%	2.6%	351.19	1	352.87	-4.4%	0.5%
181	1,165	266.69	-5.0%	298.61	2	290.70	-7.4%	-2.6%	310.47	2	318.68	-5.5%	2.6%	351.19	1	352.87	-4.4%	0.5%
182	762	270.00	-3.8%	302.31	2	290.70	-7.4%	-3.8%	310.47	2	318.68	-5.5%	2.6%	351.19	1	352.87	-4.4%	0.5%
183	895	270.35	-3.7%	302.71	3	314.27	0.1%	3.8%	335.65	3	335.45	-0.5%	-0.1%	369.67	2	371.44	0.7%	0.5%
184	1,077	278.77	-0.7%	312.13	3	314.27	0.1%	0.7%	335.65	3	335.45	-0.5%	-0.1%	369.67	2	371.44	0.7%	0.5%
185	495	280.13	-0.2%	313.66	3	314.27	0.1%	0.2%	335.65	3	335.45	-0.5%	-0.1%	369.67	2	371.44	0.7%	0.5%
186	907	280.32	-0.1%	313.87	3	314.27	0.1%	0.1%	335.65	3	335.45	-0.5%	-0.1%	369.67	2	371.44	0.7%	0.5%
187	2,551	281.47	0.3%	315.16	3	314.27	0.1%	-0.3%	335.65	3	335.45	-0.5%	-0.1%	369.67	2	371.44	0.7%	0.5%
188	2,142	285.70	1.8%	319.89	3	314.27	0.1%	-1.8%	335.65	3	335.45	-0.5%	-0.1%	369.67	2	371.44	0.7%	0.5%
189	3,060	285.75	1.8%	319.95	3	314.27	0.1%	-1.8%	335.65	3	335.45	-0.5%	-0.1%	369.67	2	371.44	0.7%	0.5%
190	2,051	289.05	3.0%	323.64	3	314.27	0.1%	-2.9%	335.65	3	335.45	-0.5%	-0.1%	369.67	2	371.44	0.7%	0.5%
191	1,492	299.35	6.6%	335.17	4	337.84	7.6%	0.8%	360.82	5	369.00	9.5%	2.3%	406.64	3	390.01	5.7%	-4.1%
192	935	303.51	8.1%	339.83	4	337.84	7.6%	-0.6%	360.82	5	369.00	9.5%	2.3%	406.64	3	390.01	5.7%	-4.1%
193	199	305.37	8.8%	341.92	4	337.84	7.6%	-1.2%	360.82	5	369.00	9.5%	2.3%	406.64	3	390.01	5.7%	-4.1%
194	661	306.73	9.3%	343.44	4	337.84	7.6%	-1.6%	360.82	5	369.00	9.5%	2.3%	406.64	3	390.01	5.7%	-4.1%
195	2,875	307.47	9.5%	344.27	4	337.84	7.6%	-1.9%	360.82	5	369.00	9.5%	2.3%	406.64	3	390.01	5.7%	-4.1%
196	1,769	307.85	9.7%	344.69	4	337.84	7.6%	-2.0%	360.82	5	369.00	9.5%	2.3%	406.64	3	390.01	5.7%	-4.1%
197	217	308.56	9.9%	345.49	4	337.84	7.6%	-2.2%	360.82	5	369.00	9.5%	2.3%	406.64	3	390.01	5.7%	-4.1%
198	753	309.18	10.2%	346.18	4	337.84	7.6%	-2.4%	360.82	5	369.00	9.5%	2.3%	406.64	3	390.01	5.7%	-4.1%
199	2,828	309.35	10.2%	346.37	4	337.84	7.6%	-2.5%	360.82	5	369.00	9.5%	2.3%	406.64	3	390.01	5.7%	-4.1%
200	353	309.44	10.2%	346.48	4	337.84	7.6%	-2.5%	360.82	5	369.00	9.5%	2.3%	406.64	3	390.01	5.7%	-4.1%
201	185	312.84	11.5%	350.29	5	361.42	15.1%	3.2%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
202	793	313.68	11.8%	351.22	5	361.42	15.1%	2.9%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
203	1,521	315.02	12.2%	352.72	5	361.42	15.1%	2.5%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
204	909	315.67	12.5%	353.45	5	361.42	15.1%	2.3%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
205	1,334	316.97	12.9%	354.91	5	361.42	15.1%	1.8%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
206	13,659	317.49	13.1%	355.49	5	361.42	15.1%	1.7%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%

Exhibit 20.1
Benefit Projections by Region
All premiums are per member per month and adjusted to Prototype Plan 1 design.

207	660	331.81	18.2%	371.52	5	361.42	15.1%	-2.7%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
208	30	337.58	20.3%	377.99	5	361.42	15.1%	-4.4%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
209	955	342.81	22.1%	383.84	5	361.42	15.1%	-5.8%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
210	831	342.93	22.2%	383.97	5	361.42	15.1%	-5.9%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
211	423	352.11	25.4%	394.25	5	361.42	15.1%	-8.3%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
212	602	358.19	27.6%	401.06	5	361.42	15.1%	-9.9%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
213	2,273	358.54	27.7%	401.45	5	361.42	15.1%	-10.0%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
214	314	364.13	29.7%	407.71	5	361.42	15.1%	-11.4%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
215	1,035	374.20	33.3%	418.98	5	361.42	15.1%	-13.7%	385.99	5	369.00	9.5%	-4.4%	406.64	3	390.01	5.7%	-4.1%
216	939	410.21	46.1%	459.31	5	390.41	24.3%	-15.0%	416.96	5	369.00	9.5%	-11.5%	406.64	3	390.01	5.7%	-4.1%
217	83	447.91	59.6%	501.51	5	426.29	35.7%	-15.0%	455.27	5	386.98	14.8%	-15.0%	426.46	3	390.01	5.7%	-8.5%

Exhibit 20.1
Benefit Projections by Region
All premiums are per member per month and adjusted to Prototype Plan 1 design.

Region 5

		Year 1		Year 2					Year 3					Year 4				
		Premium Avg		Premium Avg		Bracket Avg			Premium Avg		Bracket Avg			Premium Avg		Bracket Avg		
		$275.78		$308.79		$307.62			$328.54		$330.90			$364.65		$362.19		
District Reference ID	Average Members	Year 1 Premium	Change From Average	Trended Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate
218	234	$ 173.03	-37.3%	$ 193.74	1	$ 222.80	-27.6%	15.0%	$ 237.95	1	$ 273.64	-17.3%	15.0%	$ 301.56	1	$ 346.42	-4.4%	14.9%
219	129	210.67	-23.6%	235.88	1	262.47	-14.7%	11.3%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
220	138	220.98	-19.9%	247.43	1	262.47	-14.7%	6.1%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
221	292	221.53	-19.7%	248.05	1	262.47	-14.7%	5.8%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
222	404	221.67	-19.6%	248.20	1	262.47	-14.7%	5.7%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
223	155	222.27	-19.4%	248.87	1	262.47	-14.7%	5.5%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
224	87	223.17	-19.1%	249.87	1	262.47	-14.7%	5.0%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
225	672	224.25	-18.7%	251.09	1	262.47	-14.7%	4.5%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
226	243	224.62	-18.6%	251.51	1	262.47	-14.7%	4.4%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
227	104	226.88	-17.7%	254.03	1	262.47	-14.7%	3.3%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
228	324	227.01	-17.7%	254.18	1	262.47	-14.7%	3.3%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
229	111	227.01	-17.7%	254.18	1	262.47	-14.7%	3.3%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
230	219	228.55	-17.1%	255.90	1	262.47	-14.7%	2.6%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
231	118	230.78	-16.3%	258.40	1	262.47	-14.7%	1.6%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
232	200	230.82	-16.3%	258.44	1	262.47	-14.7%	1.6%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
233	59	232.14	-15.8%	259.93	1	262.47	-14.7%	1.0%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
234	44	232.54	-15.7%	260.37	1	262.47	-14.7%	0.8%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
235	284	233.97	-15.2%	261.97	1	262.47	-14.7%	0.2%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
236	167	235.23	-14.7%	263.38	1	262.47	-14.7%	-0.3%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
237	334	237.27	-14.0%	265.67	1	262.47	-14.7%	-1.2%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
238	112	237.71	-13.8%	266.16	1	262.47	-14.7%	-1.4%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
239	68	240.23	-12.9%	268.98	1	262.47	-14.7%	-2.4%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
240	183	241.35	-12.5%	270.23	1	262.47	-14.7%	-2.9%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
241	808	241.76	-12.3%	270.69	1	262.47	-14.7%	-3.0%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
242	76	242.73	-12.0%	271.78	1	262.47	-14.7%	-3.4%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
243	157	242.85	-11.9%	271.91	1	262.47	-14.7%	-3.5%	280.32	1	295.69	-10.6%	5.5%	325.85	1	346.42	-4.4%	6.3%
244	722	244.82	-11.2%	274.12	2	285.63	-7.1%	4.2%	305.05	2	312.11	-5.7%	2.3%	343.95	1	346.42	-4.4%	0.7%
245	21	246.52	-10.6%	276.03	2	285.63	-7.1%	3.5%	305.05	2	312.11	-5.7%	2.3%	343.95	1	346.42	-4.4%	0.7%
246	66	247.66	-10.2%	277.30	2	285.63	-7.1%	3.0%	305.05	2	312.11	-5.7%	2.3%	343.95	1	346.42	-4.4%	0.7%
247	176	249.04	-9.7%	278.85	2	285.63	-7.1%	2.4%	305.05	2	312.11	-5.7%	2.3%	343.95	1	346.42	-4.4%	0.7%
248	217	253.56	-8.1%	283.91	2	285.63	-7.1%	0.6%	305.05	2	312.11	-5.7%	2.3%	343.95	1	346.42	-4.4%	0.7%
249	447	255.41	-7.4%	285.98	2	285.63	-7.1%	-0.1%	305.05	2	312.11	-5.7%	2.3%	343.95	1	346.42	-4.4%	0.7%
250	28	259.26	-6.0%	290.29	2	285.63	-7.1%	-1.6%	305.05	2	312.11	-5.7%	2.3%	343.95	1	346.42	-4.4%	0.7%
251	246	259.76	-5.8%	290.85	2	285.63	-7.1%	-1.8%	305.05	2	312.11	-5.7%	2.3%	343.95	1	346.42	-4.4%	0.7%
252	214	260.97	-5.4%	292.20	2	285.63	-7.1%	-2.2%	305.05	2	312.11	-5.7%	2.3%	343.95	1	346.42	-4.4%	0.7%
253	299	260.97	-5.4%	292.21	2	285.63	-7.1%	-2.3%	305.05	2	312.11	-5.7%	2.3%	343.95	1	346.42	-4.4%	0.7%
254	163	266.62	-3.3%	298.52	3	308.79	0.4%	3.4%	329.79	3	328.54	-0.7%	-0.4%	362.05	1	346.42	-4.4%	-4.3%
255	261	267.84	-2.9%	299.90	3	308.79	0.4%	3.0%	329.79	3	328.54	-0.7%	-0.4%	362.05	1	346.42	-4.4%	-4.3%
256	100	270.33	-2.0%	302.69	3	308.79	0.4%	2.0%	329.79	3	328.54	-0.7%	-0.4%	362.05	1	346.42	-4.4%	-4.3%
257	396	271.79	-1.4%	304.32	3	308.79	0.4%	1.5%	329.79	3	328.54	-0.7%	-0.4%	362.05	1	346.42	-4.4%	-4.3%
258	25	273.53	-0.8%	306.27	3	308.79	0.4%	0.8%	329.79	3	328.54	-0.7%	-0.4%	362.05	1	346.42	-4.4%	-4.3%
259	391	276.80	0.4%	309.93	3	308.79	0.4%	-0.4%	329.79	3	328.54	-0.7%	-0.4%	362.05	1	346.42	-4.4%	-4.3%
260	381	277.24	0.5%	310.42	3	308.79	0.4%	-0.5%	329.79	3	328.54	-0.7%	-0.4%	362.05	1	346.42	-4.4%	-4.3%
261	149	280.21	1.6%	313.75	3	308.79	0.4%	-1.6%	329.79	3	328.54	-0.7%	-0.4%	362.05	1	346.42	-4.4%	-4.3%
262	181	281.60	2.1%	315.30	3	308.79	0.4%	-2.1%	329.79	3	328.54	-0.7%	-0.4%	362.05	1	346.42	-4.4%	-4.3%
263	758	284.55	3.2%	318.60	3	308.79	0.4%	-3.1%	329.79	3	328.54	-0.7%	-0.4%	362.05	1	346.42	-4.4%	-4.3%
264	37	286.52	3.9%	320.82	4	331.95	7.9%	3.5%	354.52	5	361.40	9.2%	1.9%	398.26	3	382.88	5.7%	-3.9%
265	316	290.27	5.3%	325.01	4	331.95	7.9%	2.1%	354.52	5	361.40	9.2%	1.9%	398.26	3	382.88	5.7%	-3.9%
266	73	290.59	5.4%	325.36	4	331.95	7.9%	2.0%	354.52	5	361.40	9.2%	1.9%	398.26	3	382.88	5.7%	-3.9%
267	282	291.51	5.7%	326.40	4	331.95	7.9%	1.7%	354.52	5	361.40	9.2%	1.9%	398.26	3	382.88	5.7%	-3.9%
268	143	292.47	6.1%	327.47	4	331.95	7.9%	1.4%	354.52	5	361.40	9.2%	1.9%	398.26	3	382.88	5.7%	-3.9%
269	199	292.68	6.1%	327.71	4	331.95	7.9%	1.3%	354.52	5	361.40	9.2%	1.9%	398.26	3	382.88	5.7%	-3.9%
270	561	293.16	6.3%	328.25	4	331.95	7.9%	1.1%	354.52	5	361.40	9.2%	1.9%	398.26	3	382.88	5.7%	-3.9%
271	127	295.25	7.1%	330.59	4	331.95	7.9%	0.4%	354.52	5	361.40	9.2%	1.9%	398.26	3	382.88	5.7%	-3.9%
272	399	299.74	8.7%	335.61	4	331.95	7.9%	-1.1%	354.52	5	361.40	9.2%	1.9%	398.26	3	382.88	5.7%	-3.9%
273	1,321	300.14	8.8%	336.06	4	331.95	7.9%	-1.2%	354.52	5	361.40	9.2%	1.9%	398.26	3	382.88	5.7%	-3.9%

Exhibit 20.1
Benefit Projections by Region
All premiums are per member per month and adjusted to Prototype Plan 1 design.

274	288	306.05	11.0%	342.67	4	331.95	7.9%	-3.1%	354.52	5	361.40	9.2%	1.9%	398.26	3	382.88	5.7%	-3.9%
275	73	307.37	11.5%	344.15	5	355.11	15.4%	3.2%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
276	130	307.98	11.7%	344.84	5	355.11	15.4%	3.0%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
277	87	310.19	12.5%	347.32	5	355.11	15.4%	2.2%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
278	384	312.16	13.2%	349.52	5	355.11	15.4%	1.6%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
279	1,118	314.13	13.9%	351.73	5	355.11	15.4%	1.0%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
280	225	316.65	14.8%	354.54	5	355.11	15.4%	0.2%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
281	162	317.99	15.3%	356.05	5	355.11	15.4%	-0.3%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
282	569	319.18	15.7%	357.38	5	355.11	15.4%	-0.6%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
283	212	321.29	16.5%	359.74	5	355.11	15.4%	-1.3%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
284	231	324.25	17.6%	363.05	5	355.11	15.4%	-2.2%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
285	12	327.32	18.7%	366.49	5	355.11	15.4%	-3.1%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
286	169	336.48	22.0%	376.75	5	355.11	15.4%	-5.7%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
287	394	345.58	25.3%	386.94	5	355.11	15.4%	-8.2%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
288	59	354.59	28.6%	397.03	5	355.11	15.4%	-10.6%	379.25	5	361.40	9.2%	-4.7%	398.26	3	382.88	5.7%	-3.9%
289	437	373.85	35.6%	418.59	5	355.81	15.7%	-15.0%	380.00	5	361.40	9.2%	-4.9%	398.26	3	382.88	5.7%	-3.9%
290	101	467.26	69.4%	523.18	5	444.71	44.6%	-15.0%	474.95	5	403.70	22.0%	-15.0%	444.88	3	382.88	5.7%	-13.9%
291	37	618.07	124.1%	692.04	5	588.23	91.2%	-15.0%	628.23	5	534.00	61.4%	-15.0%	588.46	3	500.19	38.1%	-15.0%

Exhibit 20.1
Benefit Projections by Region
All premiums are per member per month and adjusted to Prototype Plan 1 design.

Region 6

		Year 1		Year 2					Year 3					Year 4				
		Premium Avg		Premium Avg		Bracket Avg			Premium Avg		Bracket Avg			Premium Avg		Bracket Avg		
		$298.06		$333.73		$331.34			$353.87		$354.92			$391.12		$391.47		
District Reference ID	Average Members	Year 1 Premium	Change From Average	Trended Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate	Beginning Begin Rate	Bracket	Bracket Premium	Change from Bracket Avg	Change From Begin Rate
292	12	$ 195.00	-34.6%	$ 218.34	1	$ 251.09	-24.2%	15.0%	$ 268.16	1	$ 308.38	-13.1%	15.0%	$ 339.84	1	$ 364.14	-7.0%	7.1%
293	235	200.73	-32.7%	224.75	1	258.46	-22.0%	15.0%	276.04	1	317.44	-10.6%	15.0%	349.82	1	364.14	-7.0%	4.1%
294	211	212.01	-28.9%	237.39	1	273.00	-17.6%	15.0%	291.56	1	318.48	-10.3%	9.2%	350.97	1	364.14	-7.0%	3.8%
295	145	214.41	-28.1%	240.07	1	276.08	-16.7%	15.0%	294.85	1	318.48	-10.3%	8.0%	350.97	1	364.14	-7.0%	3.8%
296	140	226.38	-24.0%	253.48	1	283.67	-14.4%	11.9%	302.96	1	318.48	-10.3%	5.1%	350.97	1	364.14	-7.0%	3.8%
297	103	240.61	-19.3%	269.40	1	283.67	-14.4%	5.3%	302.96	1	318.48	-10.3%	5.1%	350.97	1	364.14	-7.0%	3.8%
298	908	246.62	-17.3%	276.13	1	283.67	-14.4%	2.7%	302.96	1	318.48	-10.3%	5.1%	350.97	1	364.14	-7.0%	3.8%
299	220	248.52	-16.6%	278.27	1	283.67	-14.4%	1.9%	302.96	1	318.48	-10.3%	5.1%	350.97	1	364.14	-7.0%	3.8%
300	1,340	253.86	-14.8%	284.25	1	283.67	-14.4%	-0.2%	302.96	1	318.48	-10.3%	5.1%	350.97	1	364.14	-7.0%	3.8%
301	291	261.08	-12.4%	292.33	1	283.67	-14.4%	-3.0%	302.96	1	318.48	-10.3%	5.1%	350.97	1	364.14	-7.0%	3.8%
302	109	266.62	-10.5%	298.53	2	308.70	-6.8%	3.4%	329.70	2	336.18	-5.3%	2.0%	370.47	2	383.30	-2.1%	3.5%
303	361	267.04	-10.4%	298.99	2	308.70	-6.8%	3.2%	329.70	2	336.18	-5.3%	2.0%	370.47	2	383.30	-2.1%	3.5%
304	98	269.04	-9.7%	301.24	2	308.70	-6.8%	2.5%	329.70	2	336.18	-5.3%	2.0%	370.47	2	383.30	-2.1%	3.5%
305	110	269.49	-9.6%	301.74	2	308.70	-6.8%	2.3%	329.70	2	336.18	-5.3%	2.0%	370.47	2	383.30	-2.1%	3.5%
306	110	276.63	-7.2%	309.74	2	308.70	-6.8%	-0.3%	329.70	2	336.18	-5.3%	2.0%	370.47	2	383.30	-2.1%	3.5%
307	110	285.07	-4.4%	319.19	2	308.70	-6.8%	-3.3%	329.70	2	336.18	-5.3%	2.0%	370.47	2	383.30	-2.1%	3.5%
308	1,099	291.16	-2.3%	326.01	3	333.73	0.7%	2.4%	356.43	3	353.87	-0.3%	-0.7%	389.96	3	402.47	2.8%	3.2%
309	98	300.79	0.9%	336.79	3	333.73	0.7%	-0.9%	356.43	3	353.87	-0.3%	-0.7%	389.96	3	402.47	2.8%	3.2%
310	164	301.25	1.1%	337.30	3	333.73	0.7%	-1.1%	356.43	3	353.87	-0.3%	-0.7%	389.96	3	402.47	2.8%	3.2%
311	3,281	302.24	1.4%	338.41	3	333.73	0.7%	-1.4%	356.43	3	353.87	-0.3%	-0.7%	389.96	3	402.47	2.8%	3.2%
312	185	304.00	2.0%	340.38	3	333.73	0.7%	-2.0%	356.43	3	353.87	-0.3%	-0.7%	389.96	3	402.47	2.8%	3.2%
313	377	309.04	3.7%	346.03	3	333.73	0.7%	-3.6%	356.43	3	353.87	-0.3%	-0.7%	389.96	3	402.47	2.8%	3.2%
314	927	311.63	4.6%	348.92	4	358.76	8.3%	2.8%	383.16	5	389.26	9.7%	1.6%	428.96	3	402.47	2.8%	-6.2%
315	230	315.54	5.9%	353.30	4	358.76	8.3%	1.5%	383.16	5	389.26	9.7%	1.6%	428.96	3	402.47	2.8%	-6.2%
316	43	315.94	6.0%	353.75	4	358.76	8.3%	1.4%	383.16	5	389.26	9.7%	1.6%	428.96	3	402.47	2.8%	-6.2%
317	58	315.99	6.0%	353.80	4	358.76	8.3%	1.4%	383.16	5	389.26	9.7%	1.6%	428.96	3	402.47	2.8%	-6.2%
318	889	325.29	9.1%	364.22	4	358.76	8.3%	-1.5%	383.16	5	389.26	9.7%	1.6%	428.96	3	402.47	2.8%	-6.2%
319	798	337.86	13.4%	378.29	5	383.79	15.8%	1.5%	409.89	5	389.26	9.7%	-5.0%	428.96	3	402.47	2.8%	-6.2%
320	196	344.21	15.5%	385.40	5	383.79	15.8%	-0.4%	409.89	5	389.26	9.7%	-5.0%	428.96	3	402.47	2.8%	-6.2%
321	209	347.23	16.5%	388.78	5	383.79	15.8%	-1.3%	409.89	5	389.26	9.7%	-5.0%	428.96	3	402.47	2.8%	-6.2%
322	97	369.48	24.0%	413.69	5	383.79	15.8%	-7.2%	409.89	5	389.26	9.7%	-5.0%	428.96	3	402.47	2.8%	-6.2%
323	791	396.92	33.2%	444.43	5	383.79	15.8%	-13.6%	409.89	5	389.26	9.7%	-5.0%	428.96	3	402.47	2.8%	-6.2%
324	191	462.45	55.2%	517.80	5	440.13	32.8%	-15.0%	470.06	5	399.55	12.6%	-15.0%	440.31	3	402.47	2.8%	-8.6%

Exhibit 20.2

Summary of Four Year Transitional Rating: Assuming All Districts Have New Prototype Plan 1

All premiums are per member per month and adjusted to Prototype Plan 1 design.

Region: 1

			Year 1		Year 2			Year 3			Year 4		
Relationship to Avg Rate	Number of: Districts	Members	Avg Yr 1 Premium	Relationship To Region Avg	Avg Yr 2 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year
< 85%	14	2,537	$218.37	-18.9%	$255.12	-15.0%	16.8%	$288.25	-10.0%	13.0%	$335.35	-4.7%	16.3%
85% - 94%	11	2,088	242.91	-9.8%	269.29	-10.3%	10.9%	297.74	-7.0%	10.6%	335.35	-4.7%	12.6%
95% - 104%	8	2,564	265.36	-1.5%	300.97	0.3%	13.4%	320.19	0.0%	6.4%	352.52	0.2%	10.1%
105% - 114%	6	1,082	298.25	10.7%	335.71	11.8%	12.6%	352.69	10.1%	5.1%	370.64	5.3%	5.1%
>= 115%	9	2,898	325.73	20.9%	348.01	15.9%	6.8%	352.69	10.1%	1.3%	370.64	5.3%	5.1%
Total/Region Avg	**48**	**11,169**	**$269.34**		**$300.21**		**11.5%**	**$320.32**		**6.7%**	**$351.87**		**9.8%**

Region: 2

			Year 1		Year 2			Year 3			Year 4		
Relationship to Avg Rate	Number of: Districts	Members	Avg Yr 1 Premium	Relationship To Region Avg	Avg Yr 2 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year
< 85%	11	3,013	$203.90	-33.1%	$256.19	-25.0%	25.6%	$304.50	-16.7%	18.9%	$374.96	-7.7%	23.1%
85% - 94%	5	1,349	272.15	-10.8%	305.48	-10.5%	12.2%	333.86	-8.7%	9.3%	382.70	-5.7%	14.6%
95% - 104%	8	3,425	301.55	-1.1%	335.98	-1.6%	11.4%	355.25	-2.8%	5.7%	398.50	-1.9%	12.2%
105% - 114%	8	6,563	336.03	10.2%	372.46	9.1%	10.8%	395.03	8.1%	6.1%	422.99	4.2%	7.1%
>= 115%	6	2,328	372.53	22.1%	392.74	15.0%	5.4%	395.03	8.1%	0.6%	422.99	4.2%	7.1%
Total/Region Avg	**38**	**16,679**	**$305.01**		**$341.37**		**11.9%**	**$365.56**		**7.1%**	**$406.02**		**11.1%**

Region: 3

			Year 1		Year 2			Year 3			Year 4		
Relationship to Avg Rate	Number of: Districts	Members	Avg Yr 1 Premium	Relationship To Region Avg	Avg Yr 2 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year
< 85%	9	3,720	$194.88	-24.3%	$244.87	-15.6%	25.7%	$278.74	-9.5%	13.8%	$322.29	-5.1%	15.6%
85% - 94%	7	3,604	230.16	-10.6%	262.70	-9.4%	14.1%	278.74	-9.5%	6.1%	322.29	-5.1%	15.6%
95% - 104%	29	13,822	254.66	-1.1%	287.86	-0.7%	13.0%	307.01	-0.3%	6.7%	338.84	-0.2%	10.4%
105% - 114%	14	4,164	284.62	10.5%	318.84	9.9%	12.0%	331.52	7.7%	4.0%	356.22	4.9%	7.5%
>= 115%	17	3,836	325.18	26.3%	335.76	15.8%	3.3%	340.79	10.7%	1.5%	356.22	4.9%	4.5%
Total/Region Avg	**76**	**29,146**	**$257.56**		**$289.99**		**12.6%**	**$307.85**		**6.2%**	**$339.45**		**10.3%**

Exhibit 20.2

Summary of Four Year Transitional Rating: Assuming All Districts Have New Prototype Plan 1

Region: 4

			Year 1		Year 2			Year 3			Year 4		
Relationship to Avg Rate	Number of: Districts	Members	Avg Yr 1 Premium	Relationship To Region Avg	Avg Yr 2 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year
< 85%	9	11,284	$223.22	-20.5%	$267.13	-15.0%	19.7%	$301.91	-10.4%	13.0%	$352.87	-4.4%	16.9%
85% - 94%	10	39,276	255.17	-9.1%	288.56	-8.1%	13.1%	317.15	-5.9%	9.9%	352.87	-4.4%	11.3%
95% - 104%	10	15,105	281.28	0.2%	311.27	-0.9%	10.7%	333.31	-1.1%	7.1%	369.07	0.0%	10.7%
105% - 114%	16	30,482	312.91	11.5%	352.07	12.1%	12.5%	369.00	9.5%	4.8%	390.01	5.7%	5.7%
>= 115%	11	8,145	361.57	28.8%	365.42	16.3%	1.1%	369.18	9.5%	1.0%	390.01	5.7%	5.6%
Total/Region Avg	**56**	**104,291**	**$280.68**		**$314.10**		**11.9%**	**$337.06**		**7.3%**	**$368.97**		**9.5%**

Region: 5

			Year 1		Year 2			Year 3			Year 4		
Relationship to Avg Rate	Number of: Districts	Members	Avg Yr 1 Premium	Relationship To Region Avg	Avg Yr 2 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year
< 85%	18	3,817	$222.08	-19.5%	$260.03	-15.5%	17.1%	$294.33	-11.1%	13.2%	$346.42	-4.4%	17.7%
85% - 94%	18	4,340	247.39	-10.3%	275.47	-10.5%	11.3%	304.91	-7.9%	10.7%	346.42	-4.4%	13.6%
95% - 104%	11	2,841	277.18	0.5%	309.09	0.5%	11.5%	328.97	-0.6%	6.4%	346.90	-4.2%	5.4%
105% - 114%	16	5,725	302.69	9.8%	340.11	10.6%	12.4%	361.40	9.2%	6.3%	382.88	5.7%	5.9%
>= 115%	11	2,382	347.23	25.9%	362.65	17.9%	4.4%	365.87	10.6%	0.9%	384.70	6.2%	5.1%
Total/Region Avg	**74**	**19,105**	**$275.78**		**$307.62**		**11.5%**	**$330.90**		**7.6%**	**$362.19**		**9.5%**

Region: 6

			Year 1		Year 2			Year 3			Year 4		
Relationship to Avg Rate	Number of: Districts	Members	Avg Yr 1 Premium	Relationship To Region Avg	Avg Yr 2 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year	Avg Yr 3 Premium	Relationship To Region Avg	Increase over Previous Year
< 85%	8	1,973	$233.25	-21.7%	$278.78	-15.9%	19.5%	$318.30	-10.3%	14.2%	$364.14	-7.0%	14.4%
85% - 94%	7	2,420	259.64	-12.9%	291.83	-11.9%	12.4%	324.25	-8.6%	11.1%	370.38	-5.4%	14.2%
95% - 104%	8	6,241	301.79	1.3%	337.01	1.7%	11.7%	358.81	1.1%	6.5%	402.13	2.7%	12.1%
105% - 114%	5	2,018	328.68	10.3%	368.66	11.3%	12.2%	389.26	9.7%	5.6%	402.47	2.8%	3.4%
>= 115%	5	1,484	389.56	30.7%	391.03	18.0%	0.4%	390.58	10.0%	-0.1%	402.47	2.8%	3.0%
Total/Region Avg	**33**	**14,137**	**$298.06**		**$331.34**		**11.2%**	**$354.92**		**7.1%**	**$391.47**		**10.3%**

Exhibit 20.3
Benefit Projections by Region
All premiums are per member per month.

Region 1

District ID	Average Members	Year 1 Average Premiums $267.47 Current Premium	$269.51 Plan 1 Premium	$247.20 Plan 2 Premium	$232.75 Plan 3 Premium	$216.59 Plan 4 Premium	Final Plan	Final Premium	Year 2 Final Bracket	Bracket Average $301.52 Plan 1 Premium	$277.79 Plan 2 Premium	$262.71 Plan 3 Premium	$245.44 Plan 4 Premium	$293.01 Preliminary Premium	Change From Trended Year 1 Final Prem to Yr 2	New Plan ?	New Plan Premium	Difference: New Plan vs Year 1 Trended
1	48	$ 185.64	$ 172.32	$ 158.06	$ 148.82	$ 138.49	Plan 1	$ 172.32	1	$ 257.49	$ 237.22	$ 224.35	$ 209.60	$ 257.49	32.9%	Plan 4	$ 209.60	8.2%
2	51	205.20	190.48	174.72	164.50	153.08	Plan 1	190.48	1	257.49	237.22	224.35	209.60	257.49	20.3%	Plan 4	209.60	-2.1%
3	328	219.71	197.18	180.86	170.29	158.47	Plan 1	197.18	1	257.49	237.22	224.35	209.60	257.49	16.2%	Plan 3	224.35	1.2%
4	**68**	**224.19**	**214.19**	**196.46**	**184.97**	**172.13**	**Plan 1**	**214.19**	**1**	**257.49**	**237.22**	**224.35**	**209.60**	**257.49**	**7.0%**	**Plan 2**	**237.22**	**-1.5%**
5	135	214.99	214.80	197.02	185.51	172.63	Plan 1	214.80	1	257.49	237.22	224.35	209.60	257.49	6.6%	Plan 2	237.22	-1.7%
6	165	242.10	218.99	200.87	189.13	176.00	Plan 1	218.99	1	257.49	237.22	224.35	209.60	257.49	4.6%	Plan 2	237.22	-3.6%
7	116	212.50	219.06	200.93	189.19	176.05	Plan 1	219.06	1	257.49	237.22	224.35	209.60	257.49	4.6%	Plan 2	237.22	-3.7%
8	225	238.10	220.72	202.45	190.62	177.38	Plan 1	220.72	1	257.49	237.22	224.35	209.60	257.49	3.8%	Original	257.49	3.8%
9	115	216.28	221.39	203.06	191.19	177.92	Plan 1	221.39	1	257.49	237.22	224.35	209.60	257.49	3.5%	Original	257.49	3.5%
10	64	246.94	224.82	206.21	194.15	180.67	Plan 1	224.82	1	257.49	237.22	224.35	209.60	257.49	1.9%	Original	257.49	1.9%
11	689	203.13	225.91	207.21	195.10	181.55	Plan 2	207.21	1	257.49	237.22	224.35	209.60	237.22	1.4%	Original	237.22	1.4%
12	156	219.42	227.22	208.42	196.24	182.61	Plan 1	227.22	1	257.49	237.22	224.35	209.60	257.49	0.8%	Original	257.49	0.8%
13	36	204.90	227.88	209.02	196.80	183.14	Plan 2	209.02	1	257.49	237.22	224.35	209.60	237.22	0.5%	Original	237.22	0.5%
14	340	233.99	228.09	209.21	196.98	183.30	Plan 1	228.09	1	257.49	237.22	224.35	209.60	257.49	0.4%	Original	257.49	0.4%
15	147	206.96	230.16	211.11	198.77	184.97	Plan 2	211.11	1	257.49	237.22	224.35	209.60	237.22	-0.5%	Original	237.22	-0.5%
16	76	214.15	230.64	211.55	199.18	185.35	Plan 2	211.55	1	257.49	237.22	224.35	209.60	237.22	-0.7%	Original	237.22	-0.7%
17	140	249.71	231.80	212.61	200.18	186.29	Plan 1	231.80	1	257.49	237.22	224.35	209.60	257.49	-1.2%	Original	257.49	-1.2%
18	192	229.35	233.51	214.18	201.66	187.66	Plan 1	233.51	1	257.49	237.22	224.35	209.60	257.49	-1.9%	Original	257.49	-1.9%
19	253	211.11	234.78	215.35	202.76	188.68	Plan 2	215.35	1	257.49	237.22	224.35	209.60	237.22	-2.4%	Original	237.22	-2.4%
20	84	230.51	238.07	218.36	205.60	191.32	Plan 1	238.07	1	257.49	237.22	224.35	209.60	257.49	-3.8%	Original	257.49	-3.8%
21	57	236.09	247.00	226.56	213.32	198.51	Plan 2	226.56	2	280.21	258.16	244.15	228.09	258.16	0.9%	Original	258.16	0.9%
22	157	222.67	247.64	227.14	213.86	199.01	Plan 2	227.14	2	280.21	258.16	244.15	228.09	258.16	0.7%	Original	258.16	0.7%
23	216	252.04	248.15	227.61	214.31	199.43	Plan 1	248.15	2	280.21	258.16	244.15	228.09	280.21	0.5%	Original	280.21	0.5%
24	704	268.27	251.54	230.72	217.24	202.15	Plan 1	251.54	2	280.21	258.16	244.15	228.09	280.21	-0.9%	Original	280.21	-0.9%
25	62	262.21	255.23	234.11	220.42	205.12	Plan 1	255.23	2	280.21	258.16	244.15	228.09	280.21	-2.3%	Original	280.21	-2.3%
26	69	264.04	259.23	237.77	223.88	208.33	Plan 1	259.23	2	280.21	258.16	244.15	228.09	280.21	-3.8%	Original	280.21	-3.8%
27	404	258.01	259.45	237.97	224.06	208.50	Plan 1	259.45	3	302.93	279.09	263.94	246.59	302.93	3.9%	Original	302.93	3.9%
28	228	238.69	262.63	240.89	226.81	211.06	Plan 2	240.89	3	302.93	279.09	263.94	246.59	279.09	2.6%	Original	279.09	2.6%
29	242	264.80	263.45	241.64	227.52	211.72	Plan 1	263.45	3	302.93	279.09	263.94	246.59	302.93	2.3%	Original	302.93	2.3%
30	62	274.78	265.46	243.49	229.26	213.34	Plan 1	265.46	3	302.93	279.09	263.94	246.59	302.93	1.5%	Original	302.93	1.5%
31	1,235	279.85	266.51	244.45	230.16	214.18	Plan 1	266.51	3	302.93	279.09	263.94	246.59	302.93	1.1%	Original	302.93	1.1%
32	87	241.82	270.80	248.39	233.87	217.63	Plan 2	248.39	3	302.93	279.09	263.94	246.59	279.09	-0.5%	Original	279.09	-0.5%
33	237	261.94	275.52	252.72	237.95	221.43	Plan 2	252.72	3	302.93	279.09	263.94	246.59	279.09	-2.2%	Original	279.09	-2.2%
34	42	286.45	288.46	264.58	249.12	231.82	Plan 1	288.46	4	325.65	300.02	283.74	265.08	325.65	0.4%	Original	325.65	0.4%
35	382	301.93	291.52	267.39	251.76	234.28	Plan 1	291.52	4	325.65	300.02	283.74	265.08	325.65	-0.6%	Original	325.65	-0.6%
36	57	299.00	293.62	269.31	253.57	235.97	Plan 1	293.62	4	325.65	300.02	283.74	265.08	325.65	-1.3%	Original	325.65	-1.3%
37	50	268.79	297.60	272.97	257.01	239.17	Plan 2	272.97	4	325.65	300.02	283.74	265.08	300.02	-2.6%	Original	300.02	-2.6%
38	392	320.02	302.95	277.87	261.63	243.47	Plan 1	302.95	5	348.37	320.95	303.53	283.58	348.37	2.3%	Original	348.37	2.3%
39	159	297.33	308.52	282.98	266.44	247.94	Plan 1	308.52	5	348.37	320.95	303.53	283.58	348.37	0.5%	Original	348.37	0.5%
40	1,360	289.49	311.38	285.61	268.91	250.24	Plan 2	285.61	5	348.37	320.95	303.53	283.58	320.95	-0.5%	Original	320.95	-0.5%
41	259	268.55	311.92	286.10	269.38	250.68	Plan 3	269.38	5	348.37	320.95	303.53	283.58	303.53	-0.6%	Original	303.53	-0.6%
42	119	319.27	316.52	290.32	273.35	254.37	Plan 1	316.52	5	348.37	320.95	303.53	283.58	348.37	-2.1%	Original	348.37	-2.1%
43	342	321.24	318.18	291.84	274.78	255.70	Plan 1	318.18	5	348.37	320.95	303.53	283.58	348.37	-2.6%	Original	348.37	-2.6%
44	149	332.30	329.60	302.32	284.65	264.88	Plan 1	329.60	5	348.37	320.95	303.53	283.58	348.37	-6.0%	Original	348.37	-6.0%
45	98	314.99	342.16	313.84	295.49	274.98	Plan 2	313.84	5	348.37	320.95	303.53	283.58	320.95	-9.4%	Original	320.95	-9.4%
46	66	347.27	354.01	324.71	305.73	284.50	Plan 1	354.01	5	348.37	320.95	303.53	283.58	348.37	-12.5%	Original	348.37	-12.5%
47	450	383.63	369.52	338.93	319.12	296.97	Plan 1	369.52	5	348.37	320.95	303.53	283.58	348.37	-16.1%	Original	348.37	-16.1%
48	55	375.21	390.56	358.23	337.29	313.87	Plan 1	390.56	5	348.37	320.95	303.53	283.58	348.37	-20.6%	Original	348.37	-20.6%

Exhibit 20.3
Benefit Projections by Region
All premiums are per member per month.

Region 2

		Year 1							Year 2								
		Adjusted Average							Bracket Average								
		$343.04	$305.19	$280.40	$264.34	$246.38				$349.09	$322.15	$304.79	$284.87	$346.62			
District ID	Average Members	Current Premium	Plan 1 Premium	Plan 2 Premium	Plan 3 Premium	Plan 4 Premium	Final Plan	Final Premium	Final Bracket	Plan 1 Premium	Plan 2 Premium	Plan 3 Premium	Plan 4 Premium	Preliminary Premium	Change From Trended Year 1 Final Prem to Yr 2	New Plan ?	New Plan Premium	Difference: New Plan vs Year 1 Trended
49	387	$ 168.82	$ 169.85	$ 155.79	$ 146.68	$ 136.50	Plan 1	$ 169.85	1	$ 291.58	$ 269.08	$ 254.80	$ 238.43	$ 291.58	52.7%	Plan 4	$ 238.43	24.9%
50	1,402	222.64	188.61	174.80	165.85	155.84	Plan 1	188.61	1	291.58	269.08	254.80	238.43	291.58	37.5%	Plan 4	238.43	12.5%
51	277	223.29	205.22	188.23	177.23	164.92	Plan 1	205.22	1	291.58	269.08	254.80	238.43	291.58	26.4%	Plan 4	238.43	3.4%
52	88	218.49	216.26	198.36	186.76	173.80	Plan 1	216.26	1	291.58	269.08	254.80	238.43	291.58	20.0%	Plan 4	238.43	-1.9%
53	156	245.93	230.08	211.03	198.70	184.90	Plan 1	230.08	1	291.58	269.08	254.80	238.43	291.58	12.8%	Plan 3	254.80	-1.5%
54	137	202.08	234.27	214.88	202.32	188.27	Plan 3	202.32	1	291.58	269.08	254.80	238.43	254.80	11.1%	Plan 4	238.43	3.9%
55	81	251.46	241.65	221.65	208.69	194.20	Plan 1	241.65	1	291.58	269.08	254.80	238.43	291.58	7.4%	Plan 2	269.08	-0.9%
56	17	270.46	243.05	222.93	209.90	195.33	Plan 1	243.05	1	291.58	269.08	254.80	238.43	291.58	6.7%	Plan 2	269.08	-1.5%
57	54	228.30	243.20	223.07	210.03	195.45	Plan 2	223.07	1	291.58	269.08	254.80	238.43	269.08	6.8%	Plan 3	254.80	1.2%
58	217	243.68	245.91	225.56	212.38	197.63	Plan 1	245.91	1	291.58	269.08	254.80	238.43	291.58	5.5%	Plan 2	269.08	-2.7%
59	197	283.46	256.25	235.04	221.30	205.94	Plan 1	256.25	1	291.58	269.08	254.80	238.43	291.58	1.2%	Original	291.58	1.2%
60	549	322.85	266.33	244.28	230.01	214.04	Plan 1	266.33	1	291.58	269.08	254.80	238.43	291.58	-2.6%	Original	291.58	-2.6%
61	190	284.59	271.48	249.01	234.45	218.17	Plan 1	271.48	2	317.31	292.83	254.80	238.43	317.31	4.0%	Original	317.31	4.0%
62	201	292.78	276.11	253.25	238.45	221.90	Plan 1	276.11	2	317.31	292.83	277.28	259.46	317.31	2.2%	Original	317.31	2.2%
63	221	292.39	276.78	253.87	239.03	222.44	Plan 1	276.78	2	317.31	292.83	277.28	259.46	317.31	2.0%	Original	317.31	2.0%
64	188	307.78	281.30	258.02	242.94	226.07	Plan 1	281.30	2	317.31	292.83	277.28	259.46	317.31	0.4%	Original	317.31	0.4%
65	257	321.60	289.90	265.90	250.36	232.98	Plan 1	289.90	2	317.31	292.83	277.28	259.46	317.31	-2.6%	Original	317.31	-2.6%
66	482	330.46	291.60	267.47	251.83	234.35	Plan 1	291.60	2	317.31	292.83	277.28	259.46	317.31	-3.2%	Original	317.31	-3.2%
67	75	288.64	296.43	271.90	256.01	238.23	Plan 1	296.43	3	343.03	316.57	299.76	280.50	343.03	3.0%	Original	343.03	3.0%
68	467	336.52	298.63	273.91	257.90	239.99	Plan 1	298.63	3	343.03	316.57	299.76	280.50	343.03	2.2%	Original	343.03	2.2%
69	988	326.31	301.48	280.14	266.33	250.87	Plan 1	301.48	3	343.03	316.57	299.76	280.50	343.03	1.2%	Original	343.03	1.2%
70	476	308.48	302.44	277.41	261.19	243.06	Plan 1	302.44	3	343.03	316.57	299.76	280.50	343.03	0.9%	Original	343.03	0.9%
71	34	326.86	308.23	282.72	266.20	247.71	Plan 1	308.23	3	343.03	316.57	299.76	280.50	343.03	-1.0%	Original	343.03	-1.0%
72	646	703.11	316.40	290.21	273.25	254.28	Plan 1	316.40	3	343.03	316.57	299.76	280.50	343.03	-3.5%	Original	343.03	-3.5%
73	509	319.21	330.10	306.14	290.63	273.27	Plan 1	330.10	4	368.76	340.31	322.24	301.54	368.76	-0.6%	Original	368.76	-0.6%
74	407	323.43	333.45	305.85	287.97	267.98	Plan 1	333.45	4	368.76	340.31	322.24	301.54	368.76	-1.6%	Original	368.76	-1.6%
75	4,124	354.91	333.53	305.92	288.04	268.04	Plan 1	333.53	4	368.76	340.31	322.24	301.54	368.76	-1.6%	Original	368.76	-1.6%
76	156	361.16	334.95	307.23	289.27	269.18	Plan 1	334.95	4	368.76	340.31	322.24	301.54	368.76	-2.1%	Original	368.76	-2.1%
77	271	356.33	340.79	312.58	294.31	273.88	Plan 1	340.79	5	394.49	364.05	344.73	301.54	394.49	3.0%	Original	394.49	3.0%
78	62	385.79	346.14	317.49	298.93	278.18	Plan 1	346.14	5	394.49	364.05	344.73	322.58	394.49	1.4%	Original	394.49	1.4%
79	406	331.64	347.72	318.93	300.29	279.44	Plan 2	318.93	5	394.49	364.05	344.73	322.58	364.05	1.1%	Original	364.05	1.1%
80	628	388.21	350.71	321.68	302.88	281.85	Plan 1	350.71	5	394.49	364.05	344.73	322.58	394.49	0.1%	Original	394.49	0.1%
81	213	388.44	353.71	324.44	305.47	284.26	Plan 1	353.71	5	394.49	364.05	344.73	322.58	394.49	-0.8%	Original	394.49	-0.8%
82	342	384.71	357.57	327.97	308.81	287.36	Plan 1	357.57	5	394.49	364.05	344.73	322.58	394.49	-1.8%	Original	394.49	-1.8%
83	273	704.08	361.20	331.30	311.94	290.28	Plan 1	361.20	5	394.49	364.05	344.73	322.58	394.49	-2.8%	Original	394.49	-2.8%
84	313	250.52	365.42	335.17	315.58	293.67	Plan 4	293.67	5	394.49	364.05	344.73	322.58	322.58	-3.5%	Original	322.58	-3.5%
85	964	402.78	379.57	348.15	327.80	305.04	Plan 1	379.57	5	394.49	364.05	344.73	322.58	394.49	-7.5%	Original	394.49	-7.5%
86	222	432.70	409.39	375.50	353.55	329.01	Plan 1	409.39	5	394.49	364.05	344.73	322.58	394.49	-14.3%	Original	394.49	-14.3%

Exhibit 20.3
Benefit Projections by Region
All premiums are per member per month.

Region 3

		Year 1							Year 2								
		Adjusted Average							Bracket Average					Change			Difference:
		$266.11	$257.72	$236.51	$222.78	$207.42			$290.78	$267.50	$253.08	$236.57	$284.47	From Trended			New Plan
District	Average	Current	Plan 1	Plan 2	Plan 3	Plan 4	Final	Final	Final	Plan 1	Plan 2	Plan 3	Plan 4	Preliminary	Year 1 Final	New Plan	New Plan	vs Year 1
ID	Members	Premium	Premium	Premium	Premium	Premium	Plan	Premium	Bracket	Premium	Premium	Premium	Premium	Premium	Prem to Yr 2	?	Premium	Trended
87	149	$ 185.25	$ 185.57	$ 170.21	$ 160.26	$ 149.13	Plan 1	$ 185.57	1	$ 246.22	$ 226.97	$ 214.74	$ 200.73	$ 246.22	18.0%	Plan 3	$ 214.74	3.0%
88	2,196	223.95	190.94	176.86	167.74	157.54	Plan 1	190.94	1	246.22	226.97	214.74	200.73	246.22	14.7%	Plan 3	214.74	0.1%
89	127	200.13	194.65	178.54	168.10	156.43	Plan 1	194.65	1	246.22	226.97	214.74	200.73	246.22	12.5%	Plan 3	214.74	-1.9%
90	606	222.82	197.23	180.90	170.33	158.50	Plan 1	197.23	1	246.22	226.97	214.74	200.73	246.22	11.1%	Plan 2	226.97	2.4%
91	110	179.97	200.15	183.58	172.85	160.85	Plan 2	183.58	1	246.22	226.97	214.74	200.73	226.97	9.5%	Plan 4	200.73	-3.2%
92	54	185.40	206.19	189.12	178.07	165.70	Plan 2	189.12	1	246.22	226.97	214.74	200.73	226.97	6.3%	Plan 3	214.74	0.6%
93	216	215.97	209.98	192.60	181.34	168.75	Plan 1	209.98	1	246.22	226.97	214.74	200.73	246.22	4.3%	Plan 2	226.97	-3.8%
94	210	243.23	211.30	193.81	182.48	169.81	Plan 1	211.30	1	246.22	226.97	214.74	200.73	246.22	3.7%	Original	246.22	3.7%
95	52	195.64	217.58	199.57	187.91	174.86	Plan 2	199.57	1	246.22	226.97	214.74	200.73	226.97	0.7%	Original	226.97	0.7%
96	151	197.46	222.23	203.83	191.92	178.59	Plan 3	191.92	1	246.22	226.97	214.74	200.73	214.74	-1.3%	Original	214.74	-1.3%
97	525	252.07	227.85	208.99	196.77	183.11	Plan 1	227.85	1	246.22	226.97	214.74	200.73	246.22	-3.9%	Original	246.22	-3.9%
98	503	240.34	228.82	209.88	197.61	183.89	Plan 1	228.82	2	267.95	226.97	214.74	200.73	267.95	4.2%	Original	267.95	4.2%
99	265	254.92	230.05	211.01	198.68	184.88	Plan 1	230.05	2	267.95	247.00	233.69	218.44	267.95	3.6%	Original	267.95	3.6%
100	421	244.55	230.17	211.11	198.78	184.97	Plan 1	230.17	2	267.95	247.00	233.69	218.44	267.95	3.6%	Original	267.95	3.6%
101	1,028	253.16	231.94	212.74	200.31	186.40	Plan 1	231.94	2	267.95	247.00	233.69	218.44	267.95	2.8%	Original	267.95	2.8%
102	711	209.19	232.65	213.39	200.92	186.97	Plan 2	213.39	2	267.95	247.00	233.69	218.44	247.00	2.5%	Original	247.00	2.5%
103	47	220.29	244.99	224.71	211.58	196.89	Plan 2	224.71	2	267.95	247.00	233.69	218.44	247.00	-2.6%	Original	247.00	-2.6%
104	1,109	243.70	245.54	225.21	212.05	197.33	Plan 1	245.54	2	267.95	247.00	233.69	218.44	267.95	-2.9%	Original	267.95	-2.9%
105	120	253.27	247.26	226.79	213.54	198.71	Plan 1	247.26	2	267.95	247.00	233.69	218.44	267.95	-3.6%	Original	267.95	-3.6%
106	402	247.40	247.82	227.31	214.02	199.16	Plan 1	247.82	2	267.95	247.00	233.69	218.44	267.95	-3.8%	Original	267.95	-3.8%
107	247	229.23	247.89	227.37	214.08	199.22	Plan 2	227.37	2	267.95	247.00	233.69	218.44	247.00	-3.8%	Original	247.00	-3.8%
108	155	246.32	247.92	227.40	214.11	199.25	Plan 1	247.92	2	267.95	247.00	233.69	218.44	267.95	-3.8%	Original	267.95	-3.8%
109	576	275.34	250.17	229.47	216.06	201.05	Plan 1	250.17	3	289.67	267.02	252.63	236.15	289.67	3.0%	Original	289.67	3.0%
110	103	224.66	250.43	229.70	216.28	201.26	Plan 2	229.70	3	289.67	267.02	252.63	236.15	267.02	3.0%	Plan 3	252.63	-2.6%
111	2,290	272.97	250.44	229.71	216.28	201.27	Plan 1	250.44	3	289.67	267.02	252.63	236.15	289.67	2.9%	Original	289.67	2.9%
112	805	278.16	250.52	229.78	216.35	201.33	Plan 1	250.52	3	289.67	267.02	252.63	236.15	289.67	2.9%	Original	289.67	2.9%
113	129	232.50	250.63	229.88	216.45	201.42	Plan 2	229.88	3	289.67	267.02	252.63	236.15	267.02	2.9%	Plan 3	252.63	-2.7%
114	792	253.98	250.67	229.92	216.48	201.45	Plan 1	250.67	3	289.67	267.02	252.63	236.15	289.67	2.8%	Original	289.67	2.8%
115	1,950	275.89	252.48	231.59	218.05	202.91	Plan 1	252.48	3	289.67	267.02	252.63	236.15	289.67	2.1%	Original	289.67	2.1%
116	192	238.82	252.94	232.01	218.45	203.28	Plan 2	232.01	3	289.67	267.02	252.63	236.15	267.02	1.9%	Original	267.02	1.9%
117	74	245.57	254.90	233.80	220.13	204.85	Plan 1	254.90	3	289.67	267.02	252.63	236.15	289.67	1.1%	Original	289.67	1.1%
118	137	228.95	256.24	235.03	221.29	205.93	Plan 2	235.03	3	289.67	267.02	252.63	236.15	267.02	0.6%	Original	267.02	0.6%
119	500	245.10	257.12	235.84	222.05	206.64	Plan 2	235.84	3	289.67	267.02	252.63	236.15	267.02	0.3%	Original	267.02	0.3%
120	146	248.72	258.18	236.81	222.97	207.49	Plan 1	258.18	3	289.67	267.02	252.63	236.15	289.67	-0.2%	Original	289.67	-0.2%
121	357	279.34	259.55	238.06	224.15	208.58	Plan 1	259.55	3	289.67	267.02	252.63	236.15	289.67	-0.7%	Original	289.67	-0.7%
122	917	239.88	260.79	239.21	225.23	209.59	Plan 2	239.21	3	289.67	267.02	252.63	236.15	267.02	-1.1%	Original	267.02	-1.1%
123	243	241.67	261.23	239.61	225.60	209.94	Plan 2	239.61	3	289.67	267.02	252.63	236.15	267.02	-1.3%	Original	267.02	-1.3%
124	231	257.37	264.43	242.54	228.37	212.51	Plan 1	264.43	3	289.67	267.02	252.63	236.15	289.67	-2.5%	Original	289.67	-2.5%
125	301	277.63	264.89	242.96	228.76	212.88	Plan 1	264.89	3	289.67	267.02	252.63	236.15	289.67	-2.7%	Original	289.67	-2.7%
126	255	241.30	266.13	244.10	229.84	213.88	Plan 2	244.10	3	289.67	267.02	252.63	236.15	267.02	-3.1%	Original	267.02	-3.1%
127	151	242.89	267.88	245.71	231.35	215.29	Plan 2	245.71	4	311.40	287.05	271.58	253.86	287.05	3.5%	Plan 3	271.58	-2.1%
128	1,075	296.24	268.44	246.22	231.83	215.74	Plan 1	268.44	4	311.40	287.05	271.58	253.86	311.40	3.2%	Original	311.40	3.2%
129	263	263.05	268.60	246.37	231.97	215.86	Plan 1	268.60	4	311.40	287.05	271.58	253.86	311.40	3.1%	Original	311.40	3.1%
130	195	232.87	268.71	246.47	232.07	215.95	Plan 3	232.07	4	311.40	287.05	271.58	253.86	271.58	3.2%	Original	271.58	3.2%
131	61	247.65	268.72	246.48	232.07	215.96	Plan 2	246.48	4	311.40	287.05	271.58	253.86	287.05	3.2%	Plan 3	271.58	-2.4%
132	312	256.97	272.04	249.52	234.94	218.63	Plan 2	249.52	4	311.40	287.05	271.58	253.86	287.05	1.9%	Original	287.05	1.9%
133	193	292.41	275.16	252.38	237.63	221.13	Plan 1	275.16	4	311.40	287.05	271.58	253.86	311.40	0.7%	Original	311.40	0.7%
134	71	233.54	278.51	255.46	240.53	223.83	Plan 3	240.53	4	311.40	287.05	271.58	253.86	271.58	-0.4%	Original	271.58	-0.4%
135	261	273.97	279.92	256.75	241.75	224.96	Plan 1	279.92	4	311.40	287.05	271.58	253.86	311.40	-1.0%	Original	311.40	-1.0%
136	667	259.12	281.16	257.88	242.81	225.95	Plan 2	257.88	4	311.40	287.05	271.58	253.86	287.05	-1.4%	Original	287.05	-1.4%
137	94	277.17	281.18	257.91	242.83	225.97	Plan 1	281.18	4	311.40	287.05	271.58	253.86	311.40	-1.5%	Original	311.40	-1.5%
138	553	314.00	284.51	260.96	245.71	228.65	Plan 1	284.51	4	311.40	287.05	271.58	253.86	311.40	-2.6%	Original	311.40	-2.6%
139	314	266.82	285.71	262.06	246.74	229.61	Plan 2	262.06	4	311.40	287.05	271.58	253.86	287.05	-3.0%	Original	287.05	-3.0%

Exhibit 20.3
Benefit Projections by Region
All premiums are per member per month.

140	285	302.75	286.71	262.98	247.61	230.42	Plan 1	286.71	5	333.12	287.05	271.58	253.86	333.12	3.4%	Original	333.12	3.4%
141	328	297.80	287.56	263.76	248.34	231.10	Plan 1	287.56	5	333.12	307.08	290.53	271.57	333.12	3.1%	Original	333.12	3.1%
142	76	255.69	289.95	265.95	250.41	233.02	Plan 3	250.41	5	333.12	307.08	290.53	271.57	290.53	2.3%	Original	290.53	2.3%
143	579	315.41	292.77	268.53	252.84	235.28	Plan 1	292.77	5	333.12	307.08	290.53	271.57	333.12	1.2%	Original	333.12	1.2%
144	381	262.18	293.13	268.87	253.15	235.58	Plan 2	268.87	5	333.12	307.08	290.53	271.57	307.08	1.2%	Original	307.08	1.2%
145	51	263.50	295.40	270.95	255.11	237.40	Plan 2	270.95	5	333.12	307.08	290.53	271.57	307.08	0.4%	Original	307.08	0.4%
146	1,201	314.53	298.23	273.55	257.56	239.68	Plan 1	298.23	5	333.12	307.08	290.53	271.57	333.12	-0.6%	Original	333.12	-0.6%
147	49	277.90	302.22	277.20	261.00	242.88	Plan 2	277.20	5	333.12	307.08	290.53	271.57	307.08	-1.9%	Original	307.08	-1.9%
148	568	344.48	302.59	277.54	261.32	243.18	Plan 1	302.59	5	333.12	307.08	290.53	271.57	333.12	-2.1%	Original	333.12	-2.1%
149	65	276.32	304.76	279.53	263.19	244.92	Plan 2	279.53	5	333.12	307.08	290.53	271.57	307.08	-2.7%	Original	307.08	-2.7%
150	155	284.93	322.97	296.24	278.93	259.56	Plan 3	278.93	5	333.12	307.08	290.53	271.57	290.53	-8.1%	Original	290.53	-8.1%
151	37	268.74	326.53	299.50	282.00	262.42	Plan 4	262.42	5	333.12	307.08	290.53	271.57	271.57	-9.1%	Original	271.57	-9.1%
152	109	324.28	326.65	299.61	282.10	262.51	Plan 1	326.65	5	333.12	307.08	290.53	271.57	333.12	-9.3%	Original	333.12	-9.3%
153	79	312.05	333.92	306.28	288.38	268.36	Plan 2	306.28	5	333.12	307.08	290.53	271.57	307.08	-11.2%	Original	307.08	-11.2%
154	177	341.05	335.09	307.36	289.39	269.30	Plan 1	335.09	5	333.12	307.08	290.53	271.57	333.12	-11.6%	Original	333.12	-11.6%
155	209	346.10	336.98	309.09	291.02	270.82	Plan 1	336.98	5	333.12	307.08	290.53	271.57	333.12	-12.1%	Original	333.12	-12.1%
156	77	304.24	341.22	312.97	294.68	274.22	Plan 2	312.97	5	333.12	307.08	290.53	271.57	307.08	-13.1%	Original	307.08	-13.1%
157	162	355.93	346.99	318.27	299.67	278.86	Plan 1	346.99	5	333.12	307.08	290.53	271.57	333.12	-14.6%	Original	333.12	-14.6%
158	193	387.54	348.35	319.52	300.84	279.96	Plan 1	348.35	5	333.12	307.08	290.53	271.57	333.12	-14.9%	Original	333.12	-14.9%
159	104	305.52	348.46	319.62	300.94	280.04	Plan 3	300.94	5	333.12	307.08	290.53	271.57	290.53	-14.9%	Original	290.53	-14.9%
160	369	370.17	359.79	330.01	310.72	289.14	Plan 1	359.79	5	333.12	307.08	290.53	271.57	333.12	-17.6%	Original	333.12	-17.6%
161	45	340.01	374.38	343.39	323.32	300.87	Plan 2	343.39	5	333.12	307.08	290.53	271.57	307.08	-20.8%	Original	307.08	-20.8%
162	237	326.76	396.64	363.81	342.54	318.76	Plan 4	318.76	5	333.12	307.08	290.53	271.57	271.57	-25.2%	Original	271.57	-25.2%

Exhibit 20.3
Benefit Projections by Region
All premiums are per member per month.

Region 4

		Year 1							Year 2									
		Adjusted Average							Bracket Average									
		$303.41	$280.85	$257.86	$242.97	$226.31			$315.18	$290.48	$274.92	$257.05	$314.49	Change			Difference:
District	Average	Current	Plan 1	Plan 2	Plan 3	Plan 4	Final	Final	Final	Plan 1	Plan 2	Plan 3	Plan 4	Preliminary	From Trended Year 1 Final	New Plan	New Plan	New Plan vs Year 1
ID	Members	Premium	Premium	Premium	Premium	Premium	Plan	Premium	Bracket	Premium	Premium	Premium	Premium	Premium	Prem to Yr 2	?	Premium	Trended
163	222	$ 221.96	$ 210.06	$ 192.67	$ 181.41	$ 168.82	Plan 1	$ 210.06	1	$ 268.33	$ 247.45	$ 234.20	$ 219.01	$ 268.33	13.6%	Plan 3	$ 234.20	-0.8%
164	2,755	234.75	211.29	193.80	182.47	169.80	Plan 1	211.29	1	268.33	247.45	234.20	219.01	268.33	13.0%	Plan 3	234.20	-1.4%
165	2,584	237.88	218.48	200.39	188.68	175.58	Plan 1	218.48	1	268.33	247.45	234.20	219.01	268.33	9.3%	Plan 2	247.45	0.8%
166	1,942	235.80	226.26	207.53	195.40	181.83	Plan 1	226.26	1	268.33	247.45	234.20	219.01	268.33	5.5%	Plan 2	247.45	-2.7%
167	289	247.54	228.35	209.45	197.20	183.51	Plan 1	228.35	1	268.33	247.45	234.20	219.01	268.33	4.5%	Plan 2	247.45	-3.6%
168	510	251.13	230.42	211.35	199.00	185.18	Plan 1	230.42	1	268.33	247.45	234.20	219.01	268.33	3.6%	Original	268.33	3.6%
169	628	271.63	231.20	212.06	199.67	185.80	Plan 1	231.20	1	268.33	247.45	234.20	219.01	268.33	3.3%	Original	268.33	3.3%
170	1,214	255.16	237.21	217.57	204.85	190.63	Plan 1	237.21	1	268.33	247.45	234.20	219.01	268.33	0.6%	Original	268.33	0.6%
171	1,140	253.93	237.75	218.07	205.32	191.07	Plan 1	237.75	1	268.33	247.45	234.20	219.01	268.33	0.4%	Original	268.33	0.4%
172	3,575	308.23	240.36	220.47	207.58	193.17	Plan 1	240.36	1	268.33	247.45	234.20	219.01	268.33	-0.7%	Original	268.33	-0.7%
173	8,782	284.02	249.69	231.05	218.97	205.47	Plan 1	249.69	2	292.00	269.29	254.86	238.33	292.00	4.0%	Original	292.00	4.0%
174	5,659	274.33	251.35	230.54	217.07	202.00	Plan 1	251.35	2	292.00	269.29	254.86	238.33	292.00	3.4%	Original	292.00	3.4%
175	1,870	274.66	252.00	231.14	217.63	202.52	Plan 1	252.00	2	292.00	269.29	254.86	238.33	292.00	3.1%	Original	292.00	3.1%
176	262	263.54	252.82	231.89	218.34	203.18	Plan 1	252.82	2	292.00	269.29	254.86	238.33	292.00	2.8%	Original	292.00	2.8%
177	3,491	277.18	254.82	233.73	220.07	204.79	Plan 1	254.82	2	292.00	269.29	254.86	238.33	292.00	1.9%	Original	292.00	1.9%
178	283	258.63	261.70	240.04	226.01	210.32	Plan 1	261.70	2	292.00	269.29	254.86	238.33	292.00	-0.7%	Original	292.00	-0.7%
179	3,342	291.99	263.20	241.42	227.31	211.52	Plan 1	263.20	2	292.00	269.29	254.86	238.33	292.00	-1.3%	Original	292.00	-1.3%
180	1,488	292.09	263.51	241.70	227.57	211.77	Plan 1	263.51	2	292.00	269.29	254.86	238.33	292.00	-1.4%	Original	292.00	-1.4%
181	10,523	287.81	264.24	242.37	228.21	212.36	Plan 1	264.24	2	292.00	269.29	254.86	238.33	292.00	-1.7%	Original	292.00	-1.7%
182	1,165	292.74	266.85	244.76	230.46	214.46	Plan 1	266.85	2	292.00	269.29	254.86	238.33	292.00	-2.6%	Original	292.00	-2.6%
183	762	308.92	270.16	247.80	233.32	217.12	Plan 1	270.16	2	292.00	269.29	254.86	238.33	292.00	-3.8%	Original	292.00	-3.8%
184	895	289.58	270.52	248.13	233.62	217.40	Plan 1	270.52	3	315.68	269.29	254.86	238.33	315.68	3.8%	Original	315.68	3.8%
185	1,077	303.56	278.93	255.85	240.89	224.17	Plan 1	278.93	3	315.68	291.12	275.52	257.65	315.68	0.7%	Original	315.68	0.7%
186	495	300.39	280.30	257.10	242.07	225.27	Plan 1	280.30	3	315.68	291.12	275.52	257.65	315.68	0.2%	Original	315.68	0.2%
187	907	307.95	280.49	257.27	242.24	225.42	Plan 1	280.49	3	315.68	291.12	275.52	257.65	315.68	0.1%	Original	315.68	0.1%
188	2,551	302.85	281.64	258.33	243.23	226.34	Plan 1	281.64	3	315.68	291.12	275.52	257.65	315.68	-0.3%	Original	315.68	-0.3%
189	2,142	295.45	285.87	263.70	249.34	233.27	Plan 1	285.87	3	315.68	291.12	275.52	257.65	315.68	-1.8%	Original	315.68	-1.8%
190	3,060	316.79	285.93	262.26	246.93	229.78	Plan 1	285.93	3	315.68	291.12	275.52	257.65	315.68	-1.8%	Original	315.68	-1.8%
191	2,051	314.60	289.22	265.28	249.78	232.43	Plan 1	289.22	3	315.68	291.12	275.52	257.65	315.68	-2.9%	Original	315.68	-2.9%
192	1,492	304.55	299.53	276.37	261.38	244.60	Plan 1	299.53	4	339.35	312.96	296.19	276.98	339.35	0.8%	Original	339.35	0.8%
193	935	313.77	303.69	278.55	262.27	244.06	Plan 1	303.69	4	339.35	312.96	296.19	276.98	339.35	-0.6%	Original	339.35	-0.6%
194	199	314.77	305.55	280.26	263.88	245.56	Plan 1	305.55	4	339.35	312.96	296.19	276.98	339.35	-1.2%	Original	339.35	-1.2%
195	661	335.79	306.91	281.51	265.06	246.65	Plan 1	306.91	4	339.35	312.96	296.19	276.98	339.35	-1.6%	Original	339.35	-1.6%
196	2,875	337.16	307.66	282.19	265.70	247.25	Plan 1	307.66	4	339.35	312.96	296.19	276.98	339.35	-1.9%	Original	339.35	-1.9%
197	1,769	325.34	308.04	284.26	268.85	251.63	Plan 1	308.04	4	339.35	312.96	296.19	276.98	339.35	-2.0%	Original	339.35	-2.0%
198	217	278.63	308.75	283.19	266.64	248.12	Plan 2	283.19	4	339.35	312.96	296.19	276.98	312.96	-2.1%	Original	312.96	-2.1%
199	753	329.84	309.36	283.76	267.17	248.62	Plan 1	309.36	4	339.35	312.96	296.19	276.98	339.35	-2.4%	Original	339.35	-2.4%
200	2,828	335.77	309.53	283.91	267.32	248.76	Plan 1	309.53	4	339.35	312.96	296.19	276.98	339.35	-2.5%	Original	339.35	-2.5%
201	353	331.45	309.63	284.00	267.40	248.84	Plan 1	309.63	4	339.35	312.96	296.19	276.98	339.35	-2.5%	Original	339.35	-2.5%
202	185	329.96	313.03	287.12	270.34	251.57	Plan 1	313.03	5	363.03	334.79	316.85	276.98	363.03	3.2%	Original	363.03	3.2%
203	793	339.51	313.87	287.89	271.06	252.24	Plan 1	313.87	5	363.03	334.79	316.85	296.30	363.03	2.9%	Original	363.03	2.9%
204	1,521	349.68	315.21	289.12	272.22	253.32	Plan 1	315.21	5	363.03	334.79	316.85	296.30	363.03	2.5%	Original	363.03	2.5%
205	909	356.90	315.86	289.72	272.78	253.84	Plan 1	315.86	5	363.03	334.79	316.85	296.30	363.03	2.3%	Original	363.03	2.3%
206	1,334	325.06	317.17	290.91	273.91	254.89	Plan 1	317.17	5	363.03	334.79	316.85	296.30	363.03	1.8%	Original	363.03	1.8%
207	13,659	325.41	317.68	291.39	274.36	255.31	Plan 1	317.68	5	363.03	334.79	316.85	296.30	363.03	1.7%	Original	363.03	1.7%
208	660	356.43	332.01	304.53	286.73	266.82	Plan 1	332.01	5	363.03	334.79	316.85	296.30	363.03	-2.7%	Original	363.03	-2.7%
209	30	374.42	337.79	309.83	291.72	271.46	Plan 1	337.79	5	363.03	334.79	316.85	296.30	363.03	-4.4%	Original	363.03	-4.4%
210	955	375.17	343.02	314.63	296.24	275.67	Plan 1	343.02	5	363.03	334.79	316.85	296.30	363.03	-5.8%	Original	363.03	-5.8%
211	831	350.62	343.13	314.73	296.34	275.76	Plan 1	343.13	5	363.03	334.79	316.85	296.30	363.03	-5.9%	Original	363.03	-5.9%

Exhibit 20.3
Benefit Projections by Region
All premiums are per member per month.

212	423	389.24	352.33	323.16	304.28	283.15	Plan 1	352.33	5	363.03	334.79	316.85	296.30	363.03	-8.3%	Original	363.03	-8.3%
213	602	397.28	358.41	328.74	309.53	288.04	Plan 1	358.41	5	363.03	334.79	316.85	296.30	363.03	-9.9%	Original	363.03	-9.9%
214	2,273	384.23	358.76	329.06	309.83	288.32	Plan 1	358.76	5	363.03	334.79	316.85	296.30	363.03	-10.0%	Original	363.03	-10.0%
215	314	381.46	364.35	334.19	314.66	292.81	Plan 1	364.35	5	363.03	334.79	316.85	296.30	363.03	-11.4%	Original	363.03	-11.4%
216	1,035	411.70	374.43	343.43	323.36	300.91	Plan 1	374.43	5	363.03	334.79	316.85	296.30	363.03	-13.7%	Original	363.03	-13.7%
217	939	335.52	410.46	376.49	354.48	329.87	Plan 4	329.87	5	363.03	334.79	316.85	296.30	296.30	-21.1%	Original	296.30	-21.1%
218	83	379.61	448.18	411.08	387.06	360.18	Plan 3	387.06	5	363.03	334.79	316.85	296.30	316.85	-27.8%	Original	316.85	-27.8%

Exhibit 20.3
Benefit Projections by Region
All premiums are per member per month.

Region 5

		Year 1																
		Adjusted Average							Bracket Average									
		$280.41	$275.95	$253.16	$238.40	$221.88			$308.54	$284.32	$268.16	$250.57	$302.84	Change			Difference:
District	Average	Current	Plan 1	Plan 2	Plan 3	Plan 4	Final	Final	Final	Plan 1	Plan 2	Plan 3	Plan 4	Preliminary	From Trended Year 1 Final	New Plan	New Plan	New Plan vs Year 1
ID	Members	Premium	Premium	Premium	Premium	Premium	Plan	Premium	Bracket	Premium	Premium	Premium	Premium	Premium	Prem to Yr 2	?	Premium	Trended
219	234	$ 186.08	$ 173.14	$ 158.81	$ 149.52	$ 139.14	Plan 1	$ 173.14	1	$ 263.64	$ 242.94	$ 229.79	$ 214.72	$ 263.64	35.5%	Plan 4	$ 214.72	10.3%
220	129	216.89	210.80	193.35	182.05	169.41	Plan 1	210.80	1	263.64	242.94	229.79	214.72	263.64	11.3%	Plan 2	242.94	2.5%
221	138	211.85	221.11	202.81	190.96	177.70	Plan 2	202.81	1	263.64	242.94	229.79	214.72	242.94	6.1%	Plan 3	229.79	0.4%
222	292	207.39	221.67	203.32	191.44	178.14	Plan 2	203.32	1	263.64	242.94	229.79	214.72	242.94	5.8%	Plan 3	229.79	0.1%
223	404	247.88	221.80	203.44	191.55	178.25	Plan 1	221.80	1	263.64	242.94	229.79	214.72	263.64	5.7%	Plan 2	242.94	-2.6%
224	155	233.17	222.40	203.99	192.07	178.73	Plan 1	222.40	1	263.64	242.94	229.79	214.72	263.64	5.5%	Plan 2	242.94	-2.8%
225	87	209.36	223.30	204.82	192.85	179.46	Plan 2	204.82	1	263.64	242.94	229.79	214.72	242.94	5.1%	Plan 3	229.79	-0.6%
226	672	244.74	224.39	205.82	193.79	180.33	Plan 1	224.39	1	263.64	242.94	229.79	214.72	263.64	4.5%	Plan 2	242.94	-3.7%
227	243	237.12	224.76	206.15	194.11	180.63	Plan 1	224.76	1	263.64	242.94	229.79	214.72	263.64	4.4%	Plan 2	242.94	-3.8%
228	104	244.56	227.01	208.22	196.05	182.44	Plan 1	227.01	1	263.64	242.94	229.79	214.72	263.64	3.3%	Original	263.64	3.3%
229	324	200.56	227.15	208.35	196.17	182.55	Plan 3	196.17	1	263.64	242.94	229.79	214.72	229.79	3.3%	Original	229.79	3.3%
230	111	249.60	227.15	208.35	196.17	182.55	Plan 1	227.15	1	263.64	242.94	229.79	214.72	263.64	3.3%	Original	263.64	3.3%
231	219	254.67	228.69	209.76	197.50	183.78	Plan 1	228.69	1	263.64	242.94	229.79	214.72	263.64	2.6%	Original	263.64	2.6%
232	118	228.97	230.92	211.80	199.42	185.58	Plan 1	230.92	1	263.64	242.94	229.79	214.72	263.64	1.6%	Original	263.64	1.6%
233	200	239.49	230.96	211.84	199.46	185.61	Plan 1	230.96	1	263.64	242.94	229.79	214.72	263.64	1.6%	Original	263.64	1.6%
234	59	243.93	232.28	213.06	200.61	186.68	Plan 1	232.28	1	263.64	242.94	229.79	214.72	263.64	1.0%	Original	263.64	1.0%
235	44	247.47	232.68	213.42	200.95	186.99	Plan 1	232.68	1	263.64	242.94	229.79	214.72	263.64	0.8%	Original	263.64	0.8%
236	284	231.22	234.11	214.73	202.18	188.14	Plan 1	234.11	1	263.64	242.94	229.79	214.72	263.64	0.2%	Original	263.64	0.2%
237	167	229.65	235.37	215.89	203.27	189.16	Plan 1	235.37	1	263.64	242.94	229.79	214.72	263.64	-0.3%	Original	263.64	-0.3%
238	334	250.89	237.42	217.77	205.04	190.80	Plan 1	237.42	1	263.64	242.94	229.79	214.72	263.64	-1.2%	Original	263.64	-1.2%
239	112	212.66	237.86	218.17	205.42	191.15	Plan 2	218.17	1	263.64	242.94	229.79	214.72	242.94	-1.4%	Original	242.94	-1.4%
240	68	267.41	240.37	220.48	207.59	193.18	Plan 1	240.37	1	263.64	242.94	229.79	214.72	263.64	-2.4%	Original	263.64	-2.4%
241	183	224.25	241.50	221.51	208.56	194.08	Plan 2	221.51	1	263.64	242.94	229.79	214.72	242.94	-2.9%	Original	242.94	-2.9%
242	808	258.23	241.90	221.88	208.91	194.41	Plan 1	241.90	1	263.64	242.94	229.79	214.72	263.64	-3.0%	Original	263.64	-3.0%
243	76	254.79	242.88	222.77	209.75	195.19	Plan 1	242.88	1	263.64	242.94	229.79	214.72	263.64	-3.4%	Original	263.64	-3.4%
244	157	226.64	242.99	222.88	209.85	195.28	Plan 2	222.88	1	263.64	242.94	229.79	214.72	242.94	-3.5%	Original	242.94	-3.5%
245	722	268.39	244.97	224.69	211.56	196.87	Plan 1	244.97	2	286.90	264.38	229.79	214.72	286.90	4.2%	Plan 2	264.38	-4.0%
246	21	245.59	246.67	226.26	213.03	198.24	Plan 1	246.67	2	286.90	264.38	250.07	233.67	286.90	3.5%	Original	286.90	3.5%
247	66	256.55	247.81	227.30	214.01	199.15	Plan 1	247.81	2	286.90	264.38	250.07	233.67	286.90	3.0%	Original	286.90	3.0%
248	176	259.76	249.19	228.57	215.21	200.26	Plan 1	249.19	2	286.90	264.38	250.07	233.67	286.90	2.4%	Original	286.90	2.4%
249	217	270.42	253.71	232.71	219.11	203.90	Plan 1	253.71	2	286.90	264.38	250.07	233.67	286.90	0.6%	Original	286.90	0.6%
250	447	258.37	255.57	234.41	220.71	205.39	Plan 1	255.57	2	286.90	264.38	250.07	233.67	286.90	-0.1%	Original	286.90	-0.1%
251	28	262.19	259.42	237.95	224.04	208.48	Plan 1	259.42	2	286.90	264.38	250.07	233.67	286.90	-1.6%	Original	286.90	-1.6%
252	246	275.87	259.92	238.40	224.47	208.88	Plan 1	259.92	2	286.90	264.38	250.07	233.67	286.90	-1.8%	Original	286.90	-1.8%
253	214	274.94	261.13	239.51	225.51	209.86	Plan 1	261.13	2	286.90	264.38	250.07	233.67	286.90	-2.2%	Original	286.90	-2.2%
254	299	270.54	261.13	239.52	225.52	209.86	Plan 1	261.13	2	286.90	264.38	250.07	233.67	286.90	-2.3%	Original	286.90	-2.3%
255	163	275.01	266.78	244.69	230.39	214.40	Plan 1	266.78	3	310.17	285.81	270.34	252.61	310.17	3.4%	Original	310.17	3.4%
256	261	258.63	268.00	245.82	231.45	215.38	Plan 1	268.00	3	310.17	285.81	270.34	252.61	310.17	3.0%	Original	310.17	3.0%
257	100	268.34	270.50	248.11	233.61	217.39	Plan 1	270.50	3	310.17	285.81	270.34	252.61	310.17	2.0%	Original	310.17	2.0%
258	396	279.57	271.96	249.45	234.87	218.56	Plan 1	271.96	3	310.17	285.81	270.34	252.61	310.17	1.5%	Original	310.17	1.5%
259	25	261.80	273.70	251.04	236.37	219.96	Plan 2	251.04	3	310.17	285.81	270.34	252.61	285.81	0.8%	Original	285.81	0.8%
260	391	276.13	276.97	254.04	239.20	222.59	Plan 1	276.97	3	310.17	285.81	270.34	252.61	310.17	-0.4%	Original	310.17	-0.4%
261	381	291.75	277.41	254.45	239.57	222.94	Plan 1	277.41	3	310.17	285.81	270.34	252.61	310.17	-0.5%	Original	310.17	-0.5%
262	149	280.74	280.38	257.17	242.14	225.33	Plan 1	280.38	3	310.17	285.81	270.34	252.61	310.17	-1.6%	Original	310.17	-1.6%
263	181	294.89	281.77	258.45	243.34	226.44	Plan 1	281.77	3	310.17	285.81	270.34	252.61	310.17	-2.1%	Original	310.17	-2.1%
264	758	284.57	284.72	261.15	245.89	228.81	Plan 1	284.72	3	310.17	285.81	270.34	252.61	310.17	-3.1%	Original	310.17	-3.1%
265	37	292.02	286.70	262.97	247.60	230.41	Plan 1	286.70	4	333.43	307.25	290.62	271.56	333.43	3.5%	Original	333.43	3.5%
266	316	309.42	290.44	266.40	250.83	233.42	Plan 1	290.44	4	333.43	307.25	290.62	271.56	333.43	2.1%	Original	333.43	2.1%
267	73	333.37	290.76	266.70	251.11	233.67	Plan 1	290.76	4	333.43	307.25	290.62	271.56	333.43	2.0%	Original	333.43	2.0%
268	282	267.68	291.69	267.54	251.91	234.42	Plan 2	267.54	4	333.43	307.25	290.62	271.56	307.25	1.7%	Original	307.25	1.7%
269	143	273.36	292.65	268.42	252.74	235.19	Plan 2	268.42	4	333.43	307.25	290.62	271.56	307.25	1.4%	Original	307.25	1.4%
270	199	267.85	292.86	268.61	252.91	235.35	Plan 2	268.61	4	333.43	307.25	290.62	271.56	307.25	1.3%	Original	307.25	1.3%
271	561	280.38	293.34	269.06	253.33	235.74	Plan 2	269.06	4	333.43	307.25	290.62	271.56	307.25	1.1%	Original	307.25	1.1%

Exhibit 20.3
Benefit Projections by Region
All premiums are per member per month.

272	127	260.72	295.43	270.98	255.14	237.43	Plan 3	255.14	4	333.43	307.25	290.62	271.56	290.62	0.4%	Original	290.62	0.4%
273	399	312.40	299.92	275.10	259.02	241.03	Plan 1	299.92	4	333.43	307.25	290.62	271.56	333.43	-1.1%	Original	333.43	-1.1%
274	1,321	305.73	300.32	275.46	259.36	241.35	Plan 1	300.32	4	333.43	307.25	290.62	271.56	333.43	-1.2%	Original	333.43	-1.2%
275	288	328.88	306.23	280.88	264.47	246.10	Plan 1	306.23	4	333.43	307.25	290.62	271.56	333.43	-3.1%	Original	333.43	-3.1%
276	73	305.91	307.55	282.10	265.61	247.17	Plan 1	307.55	5	356.69	328.69	310.89	290.51	356.69	3.2%	Original	356.69	3.2%
277	130	290.93	308.17	282.66	266.14	247.66	Plan 2	282.66	5	356.69	328.69	310.89	290.51	328.69	3.0%	Plan 3	310.89	-2.6%
278	87	302.65	310.38	284.69	268.05	249.44	Plan 1	310.38	5	356.69	328.69	310.89	290.51	356.69	2.2%	Original	356.69	2.2%
279	384	304.41	312.35	286.50	269.75	251.02	Plan 1	312.35	5	356.69	328.69	310.89	290.51	356.69	1.6%	Original	356.69	1.6%
280	1,118	314.50	314.32	288.30	271.45	252.60	Plan 1	314.32	5	356.69	328.69	310.89	290.51	356.69	1.0%	Original	356.69	1.0%
281	225	315.28	316.84	290.61	273.63	254.63	Plan 1	316.84	5	356.69	328.69	310.89	290.51	356.69	0.2%	Original	356.69	0.2%
282	162	322.23	318.18	291.84	274.79	255.71	Plan 1	318.18	5	356.69	328.69	310.89	290.51	356.69	-0.3%	Original	356.69	-0.3%
283	569	362.76	319.37	292.94	275.82	256.66	Plan 1	319.37	5	356.69	328.69	310.89	290.51	356.69	-0.6%	Original	356.69	-0.6%
284	212	359.00	321.48	294.87	277.64	258.36	Plan 1	321.48	5	356.69	328.69	310.89	290.51	356.69	-1.3%	Original	356.69	-1.3%
285	231	295.44	324.44	297.59	280.19	260.74	Plan 2	297.59	5	356.69	328.69	310.89	290.51	328.69	-2.2%	Original	328.69	-2.2%
286	12	334.04	327.52	300.41	282.85	263.21	Plan 1	327.52	5	356.69	328.69	310.89	290.51	356.69	-3.1%	Original	356.69	-3.1%
287	169	339.55	336.68	308.81	290.76	270.58	Plan 1	336.68	5	356.69	328.69	310.89	290.51	356.69	-5.7%	Original	356.69	-5.7%
288	394	288.84	345.79	319.54	302.54	283.53	Plan 4	283.53	5	356.69	328.69	310.89	290.51	290.51	-10.0%	Original	290.51	-10.0%
289	59	354.17	354.81	325.44	306.42	285.14	Plan 1	354.81	5	356.69	328.69	310.89	290.51	356.69	-10.6%	Original	356.69	-10.6%
290	437	391.08	374.08	343.11	323.06	300.63	Plan 1	374.08	5	356.69	328.69	310.89	290.51	356.69	-15.2%	Original	356.69	-15.2%
291	101	415.94	467.55	428.84	403.78	375.74	Plan 3	403.78	5	356.69	328.69	310.89	290.51	310.89	-32.1%	Original	310.89	-32.1%
292	37	607.18	618.44	567.25	534.10	497.01	Plan 1	618.44	5	356.69	328.69	310.89	290.51	356.69	-48.7%	Original	356.69	-48.7%

Exhibit 20.3
Benefit Projections by Region
All premiums are per member per month.

Region 6

		Year 1																
		Adjusted Average								Bracket Average								
		$313.46	$298.24	$274.32	$258.83	$241.50				$332.74	$307.41	$291.34	$272.91	$330.74				
District ID	Average Members	Current Premium	Plan 1 Premium	Plan 2 Premium	Plan 3 Premium	Plan 4 Premium	Final Plan	Final Premium	Final Bracket	Plan 1 Premium	Plan 2 Premium	Plan 3 Premium	Plan 4 Premium	Preliminary Premium	Change From Trended Year 1 Final Prem to Yr 2	New Plan ?	New Plan Premium	Difference: New Plan vs Year 1 Trended
293	12	$ 205.72	$ 195.12	$ 178.97	$ 168.51	$ 156.81	Plan 1	$ 195.12	1	$ 284.94	$ 263.25	$ 249.49	$ 233.71	$ 284.94	29.9%	Plan 4	$ 233.71	6.6%
294	235	205.39	200.85	184.22	173.46	161.41	Plan 1	200.85	1	284.94	263.25	249.49	233.71	284.94	26.2%	Plan 4	233.71	3.5%
295	211	229.25	212.14	194.58	183.21	170.49	Plan 1	212.14	1	284.94	263.25	249.49	233.71	284.94	19.5%	Plan 4	233.71	-2.0%
296	145	220.72	214.54	196.78	185.28	172.41	Plan 1	214.54	1	284.94	263.25	249.49	233.71	284.94	18.2%	Plan 4	233.71	-3.1%
297	140	250.96	226.52	207.77	195.63	182.04	Plan 1	226.52	1	284.94	263.25	249.49	233.71	284.94	11.9%	Plan 3	249.49	-2.0%
298	103	250.20	240.75	220.82	207.92	193.48	Plan 1	240.75	1	284.94	263.25	249.49	233.71	284.94	5.3%	Plan 2	263.25	-2.7%
299	908	270.44	246.77	226.34	213.11	198.32	Plan 1	246.77	1	284.94	263.25	249.49	233.71	284.94	2.7%	Original	284.94	2.7%
300	220	281.02	248.67	228.09	214.76	199.85	Plan 1	248.67	1	284.94	263.25	249.49	233.71	284.94	1.9%	Original	284.94	1.9%
301	1,340	282.15	254.02	235.96	224.27	211.19	Plan 1	254.02	1	284.94	263.25	249.49	233.71	284.94	-0.2%	Original	284.94	-0.2%
302	291	252.87	261.24	239.62	225.61	209.95	Plan 1	261.24	1	284.94	263.25	249.49	233.71	284.94	-3.0%	Original	284.94	-3.0%
303	109	248.96	266.78	244.70	230.40	214.40	Plan 2	244.70	2	310.08	286.48	271.50	254.33	286.48	3.7%	Plan 3	271.50	-1.7%
304	361	297.58	267.20	245.08	230.76	214.73	Plan 1	267.20	2	310.08	286.48	271.50	254.33	310.08	3.2%	Original	310.08	3.2%
305	98	285.00	269.20	246.92	232.49	216.34	Plan 1	269.20	2	310.08	286.48	271.50	254.33	310.08	2.5%	Original	310.08	2.5%
306	110	289.49	269.65	247.33	232.87	216.71	Plan 1	269.65	2	310.08	286.48	271.50	254.33	310.08	2.3%	Original	310.08	2.3%
307	110	275.84	276.80	253.88	239.05	222.45	Plan 1	276.80	2	310.08	286.48	271.50	254.33	310.08	-0.3%	Original	310.08	-0.3%
308	110	267.67	285.24	261.63	246.34	229.24	Plan 2	261.63	2	310.08	286.48	271.50	254.33	286.48	-3.0%	Original	286.48	-3.0%
309	1,099	302.35	291.34	269.04	254.60	238.45	Plan 1	291.34	3	335.23	309.71	293.51	274.95	335.23	2.4%	Original	335.23	2.4%
310	98	260.94	300.98	276.06	259.93	241.88	Plan 3	259.93	3	335.23	309.71	293.51	274.95	293.51	-0.4%	Original	293.51	-0.4%
311	164	333.97	301.43	276.48	260.32	242.25	Plan 1	301.43	3	335.23	309.71	293.51	274.95	335.23	-1.1%	Original	335.23	-1.1%
312	3,281	310.27	302.43	278.10	262.34	244.71	Plan 1	302.43	3	335.23	309.71	293.51	274.95	335.23	-1.4%	Original	335.23	-1.4%
313	185	298.07	304.18	279.00	262.70	244.46	Plan 1	304.18	3	335.23	309.71	293.51	274.95	335.23	-2.0%	Original	335.23	-2.0%
314	377	351.61	309.23	283.63	267.06	248.51	Plan 1	309.23	3	335.23	309.71	293.51	274.95	335.23	-3.6%	Original	335.23	-3.6%
315	927	327.96	311.81	286.00	269.29	250.59	Plan 1	311.81	4	360.37	332.94	315.53	295.57	360.37	2.8%	Original	360.37	2.8%
316	230	334.37	315.73	289.60	272.67	253.74	Plan 1	315.73	4	360.37	332.94	315.53	295.57	360.37	1.5%	Original	360.37	1.5%
317	43	286.24	316.13	289.96	273.02	254.06	Plan 2	289.96	4	360.37	332.94	315.53	295.57	332.94	1.7%	Original	332.94	1.7%
318	58	317.37	316.18	290.00	273.06	254.10	Plan 1	316.18	4	360.37	332.94	315.53	295.57	360.37	1.4%	Original	360.37	1.4%
319	889	341.43	325.48	298.54	281.09	261.58	Plan 1	325.48	4	360.37	332.94	315.53	295.57	360.37	-1.5%	Original	360.37	-1.5%
320	798	385.50	338.06	313.27	297.21	279.24	Plan 1	338.06	5	385.51	356.17	337.54	316.19	385.51	1.5%	Original	385.51	1.5%
321	196	364.19	344.42	315.91	297.44	276.79	Plan 1	344.42	5	385.51	356.17	337.54	316.19	385.51	-0.4%	Original	385.51	-0.4%
322	209	368.37	347.44	318.68	300.05	279.22	Plan 1	347.44	5	385.51	356.17	337.54	316.19	385.51	-1.3%	Original	385.51	-1.3%
323	97	320.45	369.70	339.10	319.28	297.11	Plan 3	319.28	5	385.51	356.17	337.54	316.19	337.54	-6.8%	Original	337.54	-6.8%
324	791	425.32	397.16	364.29	343.00	319.18	Plan 1	397.16	5	385.51	356.17	337.54	316.19	385.51	-13.6%	Original	385.51	-13.6%
325	191	360.25	462.73	424.43	399.63	371.88	Plan 4	371.88	5	385.51	356.17	337.54	316.19	316.19	-25.3%	Original	316.19	-25.3%

Exhibit 21

Impact of New Pool Retention Costs on Districts of Various Sizes

Based on Year 1 Projection

District Size Range [1]	Projected Claims	Current Plans/Carriers Retention [2]	% of Claims
< 50	$ 15,912,040	$ 2,240,436	14.1%
51-249	136,278,663	16,605,245	12.2%
250-499	115,990,259	13,957,222	12.0%
500-999	94,813,524	11,187,591	11.8%
1000+	244,619,638	29,135,089	11.9%
Unknown	6,089,616	387,590	6.4%
Total	$ 613,703,739	$ 73,513,174	12.0%

1. Number of primary members (employees and retirees) who are enrolled in the district's health plan(s).
2. Retention is administrative expense, premium taxes and MCHA assessments, and contributions to reserves (risk charges). It does not reflect rate credits that some carriers pay to groups after the end of plan years for favorable experience.

Average Rate Changes from 2001-02 to 2003-04 by District Size

District Size Range [1]	Avg 2-Yr Rate Change [3]	Number of Districts By Size of 2-Year Rate Changes					
		Under 10%	10% to 19.9%	20% to 29.9%	30% to 39.9%	40% to 40.9%	50% or more
50 or less	27.40%	40	10	16	9	13	6
51 to 249	30.73%	20	39	35	41	18	12
250 to 499	30.31%	1	6	15	7	6	1
500 to 999	25.08%	3	2	7	5	2	0
1,000 or more	30.85%	0	0	3	3	0	0
All Districts	29.33%	64	57	76	65	39	19

3. Please note: The 2 year rate change includes the impact of benefit plan changes and member shifts between plans. This is only an approximate indicator of the true base rate changes, without considering plan changes, over the 2 year period. The results by district size may be influenced how much districts of various size react to base rate increases.

APPENDIX A

A RECOMMENDATION OF THE FOLLOWING MEMBERS OF THE SCHOOL INSURANCE PLAN COMMITTEE:

Shane Allers

Linda Anderson

Peggy Byrne

Jim Granger

Lee Johansen

Cheryl Jones

Tom Nelson

Larry Wicks

THEREFORE, IT IS THE RECOMMENDATION OF THE UNDERSIGNED MEMBERS OF THE SCHOOL EMPLOYEE HEALTH INSURANCE STUDY AND PLAN DESIGN COMMITTEE THAT THE STATE OF MINNESOTA ESTABLISH A MANDATORY STATEWIDE SELF-FUNDED HEALTH INSURANCE POOL FOR ALL PUBLIC SCHOOL EMPLOYEES.

ESTABLISHING A NEW POOL

We believe that this report to the legislature leads to the inescapable conclusion that creating a mandatory self-funded risk pool to provide health insurance for all public school districts in Minnesota is both feasible and desirable.

The reports' conclusion that savings from structural costs alone will equal $223 million during the first six years of operation is significant. No other option comes close to offering these savings. Additionally the creation of this mandatory risk pool will provide school districts and their employee's rate stability from year to year.

We have reached this conclusion after consideration of the alternatives studied by the committee and outlined in this report. None of the alternatives provide the cost savings, rate stability or economic influence in the market place of a mandatory self-funded pool.

POOL TRANSITION ISSUES

We recommend that the pool initially offer plan designs and rate structures that are consistent with the examples provided in the report. During a transition period it is expected that the pool managers will evaluate and adjust plan designs and rate structures in a manner that will best meet the needs of the participating districts, the plan members and the financial stability of the pool. It is our recommendation that over a transition period the number of plan options be reduced and that premiums be equalized, providing for a more uniform set of health insurance benefits and premiums throughout the state.

GOVERNANCE

We recommend that a governance structure be established with a board of directors representing labor and management in equal numbers. The board shall be empowered to create and administer the insurance pool. Further the board will be authorized to enter into contracts for services and employment as is determined to be necessary to fulfill its responsibilities.

SIGNED: **JANUARY ___, 2004**

_____ _____

_____ _____

_____ _____

_____ _____

_____ _____

_____ _____

_____ _____

APPENDIX B

A RECOMMENDATION OF THE FOLLOWING MEMBERS OF THE SCHOOL INSURANCE PLAN COMMITTEE:

Supporting Alternative C of This Report:

Arlene Bush

Joanne McCabe

Marv Swanson

John Sylvester

Supporting Alternatives B and C of This Report:

Dick Lundeen

The 2002 Minnesota Legislature created and funded the School Employee Health Insurance Study and Plan Design Committee (hereinafter, "Committee"). The Committee was charged with collecting and analyzing *"information from health plans currently providing coverage to eligible employers"* [S.F. No. 1755, lines 2.18 and 2.19]. In addition, the Committee was required to *"study the feasibility and desirability of a school employee health insurance plan for eligible employees of eligible employers"* [S.F. No. 1755, lines 2.29 through 2.31] and *"address the issues of costs, coverage provided, financial feasibility and solvency, and management"* [S.F. No. 1755, lines 2.31 through 2.33]. In meeting those requirements, the Committee's study was to compare:

"(1) purchase of fully insured coverage through a pooling arrangement" [S.F. No. 1755, lines 2.34 and 2.35];

"(2) use of a multiple employer welfare arrangement under chapter 62H" [S.F. No. 1755, lines 2.36 and 3.1]; and

"(3) coverage otherwise available to school districts through existing sources" [S.F. 1755, lines 3.2 and 3.3].

Further, the Committee's study was to *"consider health insurance pools of various sizes, including a pool that would include all eligible employers as one option"* [S.F. No. 1755, lines 3.4 through 3.6] and *"the desirability and effects of the pool on the eligible employers of various sizes, financial resources, and geographic locations within the state"* [S.F. No. 1755, lines 3.6 through 3.8]. Finally, through the use of the collected data, the Committee was required to *"recommend specifications for a health insurance plan to serve eligible employees, including the plan's structure, benefits, approximate premiums, governance, operations, solvency, and oversight"* [S.F. No. 1755, lines 3.15 through 3.18].

The Committee contracted with the firm of Reden & Anders, Ltd. to provide consulting and actuarial services along with other assistance, and the preceding report contains an analysis of the data which was collected. While questions relative to the data and conclusions drawn exist and while not all Committee charges and study requirements were completely addressed, the Committee has agreed to submit the report to the 2004 Minnesota Legislature.

It is also noted that the Committee is comprised of individuals whose backgrounds and perspectives vary widely. As a result, while consensus was reached relative to several points, difference conclusions were reached relative to others.

The Committee was able to reach consensus relative to the following points:

(a) there is a need to prohibit the payment of cash in lieu of insurance premium contributions;

(b) the establishment of a statewide reinsurance pool for political subdivisions may facilitate more opportunities for those subdivisions to self-insure;

(c) there is a need to create a pharmacy benefit management (PBM) program;

(d) there is a need to establish meaningful disease management and wellness programs;

(e) the creation of a separate, self-contained retiree health insurance pool should be explored;

(f) an easily accessible, statewide consumer data base should be created;

(g) a statewide consumer education curriculum focused on addressing consumer expectations and usage issues should be created and implemented;

(h) a standing, statewide health insurance advisory committee comprised of representatives from both labor and management should be created.

The Committee was not able to reach consensus relative to the mechanism through which public school employee health insurance may most effectively and feasibly be provided. Consequently, the Committee identified and studies three possible alternatives, as noted below.

Alternative A. A mandatory, statewide, self-insured pool for all Minnesota public school employees.

Alternative B. A voluntary, self-insured pool offered to all Minnesota public school districts and their employees.

Alternative C. A mandatory, limited number of actual insurance plans that all Minnesota health insurance providers (both fully and self-insured) would be required to offer to public school districts and their employees (three plans for a transition period of four years and one plan thereafter – the plan designs to be developed by the statewide health insurance advisory committee noted in "(h)" above). This alternative is supported by the following Committee members for the following reasons:

- overall costs savings in comparison to current arrangements should be realized (please see "Exhibit 14");
- unlike "Alternative A." and "Alternative B.," marketplace competition would have to focus more specifically on administrative and delivery efficiencies, provision of service, and development of technology and lifestyle incentives and, thus, could generate even more cost savings;
- unlike "Alternative A.," public school districts and their employees would be able to preserve a degree of local decision-making and oversight;
- unlike "Alternative A.," the State would not be creating "winners" and "losers" (please see "Exhibit 20.1"), and State premium tax and MCHA dollars would be impacted to a lesser extent (please see "Exhibit 13" and "Exhibit 14");

- unlike “Alternative A.” and “Alternative B.,” no new start-up and solvency costs would be generated (please see “Section III” and “Section X”);
- unlike “Alternative A.,” potential collective bargaining issues (issues which were only briefly discussed by the Committee) would not have to be addressed.

SUPPORTING COMMITTEE MEMBERS:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____		

APPENDIX C
Position Paper by a Committee Member

January 13, 2004

I support mandatory uniform coverage for all public school employees and a voluntary statewide pool.

A mandatory statewide plan is projected to save on paper, about $200 million dollars over the first six years of operation, or about 4.2% of projected cumulative costs, with a voluntary statewide plan projected to save 2.7% over the same time span. In either case, savings of 2.7 to 4.2% over six years could hardly be described as significant structural change or cost savings for employees. The single greatest opportunities to control future health care costs are to increase consumerism while maintaining a highly competitive market in which to purchase health insurance.

The difference in savings between a mandatory and a voluntary statewide plan over time is at best incremental. A mandatory plan, in my judgment, could likely restrain competition statewide, which could have the unfortunate effect of increasing, not decreasing, future cost trends. A voluntary plan will stimulate competition between insurance carriers, and encourage efficiency among the various delivery systems (i.e. service coops, self-insured and fully insured groups, PEIP and others).

Today's worker expects too much of their health insurance plan. They want a high quality product at an inexpensive price. Unfortunately, those days are gone.

As health care consumers, we need to ask ourselves two questions:

- How much of my compensation am I willing to spend on health care, and then;
- What should the insurance product look like? (i.e. What can I buy for "x" dollars?)

Public school employee health insurance is problematic because:

1. **We use it a lot**. We tend to be more knowledgeable than employees in the private sector, we are older with a higher proportion female. We also have a law that allows us to stay in the group indefinitely.

2. **We have a very high quality plan** (insurance, on average, pays 90¢ of each dollar in claims, excluding premiums).

3. **School districts pay a lot of the premium costs, not employees**. Actually what I mean to say is employees are footing the entire cost but do not realize it, since health insurance is costed into salary settlements and the employee's share (if any) is softened with IRS Cafeteria 125 plans.

4. **Everybody is doing "their own thing**". While some districts are large enough to self-insure, some schools obtain their health insurance through a group purchasing arrangement (PEIP), others through service cooperatives, and various other arrangements. Some are fully insured plans while others are self-insured. Some employees pay a lot of the premiums, some relatively little. While some schools offer only one plan choice to their employees, most offer several plans to choose from. There is no such thing as "the plan". In fact, that is a significant part of the problem because there are literally scores of plans offered across the State. In addition, there are no uniform rules such as who qualifies for health insurance, or waivers of premiums, and some districts have negotiated "cash in lieu" of employee premium contributions.

5. **Employee expectations regarding health insurance can no longer be met.** A family health plan in 1977 cost about $73 per month. After twenty-six years of 10% per year increases (2-5 times the annual rate of inflation), today's plan costs easily $800 to $1100 a month. Even with conservative future trending of 8% per year, premiums will be $1200 a month in five years. Wages have not and will not keep up and as a result, something is "going to have to give". Current experiences tell us "it" will be cheapening the product we buy, which shifts responsibility from the plan to the plan holder.

6. **Everyone is becoming frustrated**. Employees and employers are looking for simple solutions where none exists.

The legislature established the SIC to study alternative delivery systems and plans. One of the options we were required to consider is a statewide health care plan. Our committee compared 1) a mandatory statewide plan to 2) a voluntary statewide plan to 3) mandated statewide benefits.

I cannot support a mandatory health plan at this time. I question some of the planning assumptions, anticipated savings, future operations practicality, and potential acceptability.

What I can support at this time is based on what we have identified, where opportunities for efficiency exist:

We can reduce administrative costs if we narrow the plan offerings from many to <u>one</u>, and the "one" plan puts the consumer back in the driver's seat. The committee and consultant have designed the consumer driven health plan. We need a "phase-in" period of 4-6 years to allow individual school districts and exclusive representatives to negotiate.

We need to re-think retiree health insurance obligations which are currently defined by Minnesota Statute §471.61. Why should inactive employees who worked for a school for as little as 3 years have the same health insurance eligibility as active employees or those who have worked a lifetime? Sounds like a great thing to do, but it is unprecedented in labor relations and costly. Maybe early retirees should be treated as a separate group with limited underwriting from the group and retirees 65 and older in another group with even less yet underwriting or none at all. In addition, all retirees should be required to have Medicare parts A & B.

We need uniform rules.

- Uniform employer contribution - at least regionalized.
- No cash in lieu.
- Uniform eligibility standards - suggest 30 hours per week for 9 months or 1170 hours per year to be eligible with grandfather provisions for retiring employees.
- Uniform waiver of premium.

New minimum statewide requirements.

- Stop loss
- Reinsurance
- Pharmacy Benefit Management (PBM)
- Disease management

Statewide consumer education and curriculum to change the expectations of consumers regarding health insurance.

A standing statewide Health Insurance Advisory Committee needs to be established.

My recommendation is to require mandatory coverage for all public school employees with one plan available for active employees (that plan being the Consumer Driven Health Plan). Retired employees could opt for the mandatory plan or have the option of a higher deductible plan as well. In order to provide the opportunity for employees and individual school districts to negotiate contractual issues, there would need to be a four to six year transition period, whereby, three or possibly four plans be made available to employees. The plans identified would be designed to provide comparable coverage in comparison to the array of plans available to school employees across the State today. In addition, a voluntary statewide health care plan would be made available to those districts wishing to opt in. Specific rules would need to be established for such a voluntary plan to discourage school districts from entering the voluntary plan and then leaving two years later so that the pool's actuarial history could be stabilized.

Uniform rules also need to be established to reduce the effects of adverse selection. These rules would be at a minimum.

- Uniform employer contribution (at least regionalized).
- No cash in lieu.
- Uniform eligibility standards - suggest 30 hours per week for 9 months or 1170

hours per year to be eligible with grandfather provisions for retiring employees.

- Uniform waiver of premiums.

Lastly, the treatment of retiree eligibility needs to be revisited. Minnesota Statute §471.61 allows public employees to retire and stay within the group at the same price point as active employees. In addition, the statute allows employees to stay in the group in perpetuity. This law needs to be revisited. Retirees should be, at a minimum, placed in a different sub group and rated on their own. For discussion purposes, I would recommend that employees leaving public service before full retirement age be treated exactly the same as active employees for the COBRA extension of eighteen months. After the eighteen months have expired, those persons leaving public service would be entitled to stay with the group and have access to health insurance, but would be actuarially rated as a separate sub group and pay their projected costs minus a ten percent factor funded by the pool of active employees. At age 65 or Medicare eligible, they would be rated in a second sub set based on their actuarial costs.

We can take advantage of the majority of the afore-mentioned efficiencies by offering a voluntary pool with mandated requirements, maintain or even improve the competitive environment between carriers and sidestep much of the controversy that we would face with a statewide plan.

Sincerely,

Richard J. Lundeen

APPENDIX D
Draft Legislation

A bill for an act

relating to insurance; creating a statewide health insurance pool for school district employees; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 62A.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **62A.662 SCHOOL EMPLOYEE INSURANCE PLAN.**

Subdivision 1. **DEFINITIONS.** For purposes of this section:

(1) "eligible employee" means a person who is insurance eligible and is employed by an eligible employer or is insurance eligible through an eligible employer on some other basis; and

(2) "eligible employer" means a school district as defined in section 120A.05; a service cooperative as defined in section 123A.21; an intermediate district as defined in section 136D.01; a cooperative center for vocational education as defined in section 123A.22; a regional management information center as defined in section 123A.23; an education unit organized under section 471.59; a charter school organized under section 124D.10; or an exclusive representative of employees of an eligible employer or statewide affiliate.

Subd. 2. **CREATION OF BOARD.** (a) The Minnesota School Employee Insurance Board is created as a public corporation.

(b) The board shall create and administer the Minnesota School Employee Insurance Pool as described in this section.

(c) The board has all powers necessary or appropriate to carry out that function. The board may maintain an office, hire staff, and contract to obtain actuarial and other services.

Subd. 3. **BOARD OF DIRECTORS.** (a) The School Employee Insurance Board consists of:

(1) seven members representing exclusive representatives of eligible employees, appointed by exclusive representatives, as provided in paragraph (b); and

(2) seven members representing eligible employers, appointed by the Minnesota School Boards Association.

(b) The seven members of the board who represent statewide affiliates of exclusive representatives of eligible employees are appointed as follows: four members appointed by Education Minnesota and one member each appointed by the Service Employees International Union, the Minnesota State Employees Association, and American Federation of State, County, and Municipal Employees.

(c) Appointing authorities must make their initial appointments no later than August 1, 2004.

(d) Board members are eligible for compensation and expense reimbursement under section 15.0575, subdivision 3.

Subd. 4. **NATURE OF THE PLAN.** (a) The Minnesota School Employee Insurance Pool made available by the board must be available to the eligible employees of eligible employers, as defined in subdivision 1.

(b) All eligible employers must provide health coverage to their eligible employees only through the pool.

(c) The board must design the pool to provide the optional combination of coverage, cost, choice, and stability, in the judgment of the board.

(d) The pool provided by the board may include more than one health plan and more than one tier of premium rates for any specific plan. Plans and premium rates may vary across geographic regions established by the board.

(e) The pool must include claims reserves, stabilization reserves, reinsurance, and other features that in the judgment of the board will result in long-term stability and solvency of the pool.

(f) The board may determine whether the pool should be fully-insured through a health carrier licensed in this state, self-insured, or a combination of those two alternatives.

(g) The pool must include consumer education, including wellness programs and measures encouraging the wise use of health coverage, to the extent determined to be appropriate by the board.

(h) The pool may provide one or more separate plans for retirees, which may be coordinated with Medicare.

Subd. 5. **STARTING DATE OF THE POOL; TRANSITION.** (a) The pool must begin providing coverage beginning July 1, 2006. The details of the coverage available must be made known to eligible employers no later than March 1, 2006.

(b) Eligible employers must provide coverage through the pool no later than July 1, 2006, or the earliest date permitted by then-existing collective bargaining agreements, whichever is later.

Sec. 2. **APPROPRIATION.**

$..... is appropriated from the general fund to the commissioner of commerce as a grant for start-up costs to the Minnesota School Employee Insurance Board.

APPENDIX E

Requests for Information

- **Full Service carriers and third party administrators**
- **Stop loss only carriers**

Reden & Anders, Ltd.

An ingenix Company

Consultants & Actuaries
222 South 9th Street, Suite 1500 • Minneapolis MN 55402
Tel (612) 339-7933 • Fax (612) 349-3788 • www.reden-anders.com

September 2, 2003

«MsMr» «FirstName» «LastName»
«Title»
«Company»
«Address1»
«Address2»
«City», «State» «PostalCode»

RE: HEALTH COVERAGE FOR MINNESOTA SCHOOL DISTRICTS

Dear «MsMr» «LastName»:

The 2002 Minnesota Legislature established a School Employee Insurance Plan Study and Design Committee (the Committee) to work with the Minnesota Department of Commerce (DOC) to gather information about existing health insurance coverage of school district employees in Minnesota and to make recommendations for the design of a school employee health insurance plan.

To provide actuarial assistance, the Committee and the DOC engaged Reden & Anders, Ltd. (R&A) to carry out the projects outlined in the statute. One of these projects is to look into the feasibility and cost of a health insurance plan and shared risk pool covering public school districts in Minnesota.

The purpose of this letter is to inquire if your organization is interested in providing insured coverage or administrative services and stop loss for such a plan, and, if so, what your approximate costs of administration and stop loss or large claim pooling would be. We are also requesting some general information about the geographical extent of your provider network and about your disease management and wellness programs.

This letter is not a formal Request for Proposal, and your organization is not bound in any way by your responses or the cost estimates you provide. We refer to this as a "Request for Information and Interest." Your responses will help the Committee to determine if establishing a pool for school districts is feasible and cost-effective.

There are 344 public school districts in Minnesota covering approximately 100,000 employees and retirees and an additional 100,000 dependents. Net paid claims were $491 million in the period July 2001 through June 2002. We anticipate these claims will be $640 million for the period July 2003 through June 2004. The Committee is considering either a single, statewide pool, up to six regional pools around the state, or a similar configuration to be determined later this year. If there are multiple pools, the Committee envisions that one pool would be for Twin Cities metropolitan area districts and the others for various non-metropolitan regions, such as northeastern Minnesota.

The pool or pools will provide a limited offering of one or a multiple of plan designs. The Committee anticipates that participation in the pool will initially be voluntary for public school districts, possibly with financial incentives provided by the State to encourage districts to join over a specified time period. A voluntary pool would have minimum employee participation requirements and some level of new group underwriting. The enclosed exhibits provide additional information about the public school districts eligible to join the pool.

✧ ✧ ✧ ✧ ✧ ✧

We would appreciate your providing the information for your organization as requested on the attached page. Thank you for your help with this important project.

Sincerely,

Earl L. Hoffman, F.S.A.
Senior Consultant

ELH:mje

/Enclosures

Request for Information and Interest

HEALTH COVERAGE POOL FOR MINNESOTA K-12 SCHOOL EMPLOYEES

Name of Carrier, Health Plan, or Administrator:

For the proposed health coverage pool or pools, as described in the accompanying letter and exhibits, please respond to the following items:

I. GENERAL

A. Does your organization your organization have experience covering or administering pools of this type?

B. If so, what are the services that your organization typically provides to these pools?

II. INSURED OR HEALTH PLAN COVERAGE FOR POOL OR POOLS

A. Would your organization provide fully insured coverage to a pool of this type?

B. If the answer to A is yes, approximately what would be the range of your retention level for administration, network management, and profit or contribution to reserves and surplus, expressed as a percentage of premium, percentage of claims, dollars per subscriber or per group, or other method? Do not include premium or HMO taxes, MCHA assessment, or Medicaid surcharge.

C. If the answer to A is yes, approximately what would you charge for conversions?

D. Would you be willing to quote on a rate credit eligible or mini/maxi premium basis?

E. How would the above answers vary for a single pool versus multiple pools?

F. How would the above answers vary for a mandatory pool (all districts must participate) versus a voluntary one?

III. ADMINISTRATION OF SELF-FUNDED POOL OR POOLS

A. Would your organization provide administrative services to a self-funded pool of this type?

B. If the answer to A is yes, approximately what would be the range of your retention level for administration, network management, and profit or contribution to reserves and surplus, expressed as a percentage of claims, dollars per subscriber or per group, or other method? Do not include any state taxes or surcharges.

C. If the answer to A is yes, approximately what would you charge for conversions?

D. Can your organization provide or arrange specific stop loss coverage for the pool?

E. If the answer to D is yes, what would be the approximate cost per month per single subscriber and per family contract for specific stop loss coverage for the period July 2003 to June 2004, for attachment points of $250,000 and $500,000?

F. Can your organization provide or arrange aggregate stop loss coverage for the pool?

G. If the answer to F is yes, what would be the approximate cost per month for aggregate stop loss coverage with an attachment point of 110% of expected claims? 125% of expected claims?

H. How would the above answers vary for a single pool versus multiple pools?

I. How would the above answers vary for a mandatory pool (all districts must participate) versus a voluntary one?

IV. Minimum Premium and Other Funding Methods

A. Would your organization provide coverage to a pool of this type with a minimum premium arrangement?

B. If the answer to A is yes, approximately what would be the range of your retention level for administration, network management, and profit or contribution to reserves and surplus, expressed as a percentage of claims, dollars per subscriber or per group, or other method? Do not include any state taxes or surcharges.

C. If the answer to A is yes, what is your typical aggregate risk level as a percentage of expected claims?

D. Does your organization offer any other funding methods that may be appropriate for this school employee pool? If so, please describe how the risk sharing and other components operate.

V. Network Questions

A. What is your organization's service area in the state?

B. Are there areas in the state where members would not have reasonable access to your network providers in most specialties? If so, what are these areas?

C. Does your organization have disease management programs? If so, please provide a brief description.

D. Does your organization have wellness programs and consumer education and other programs that encourage the wise use of health coverage? If so, please provide a brief description.

Reden & Anders, Ltd.

An ingenix Company

Consultants & Actuaries
222 South 9th Street, Suite 1500 • Minneapolis MN 55402
Tel (612) 339-7933 • Fax (612) 349-3788 • www.reden-anders.com

October 3, 2003

«MrMs» «FirstName» «LastName»
«JobTitle»
«Company»
«Address1»
«City», «State» «PostalCode»

RE: HEALTH COVERAGE FOR MINNESOTA SCHOOL DISTRICTS

Dear «MrMs» «LastName»:

The 2002 Minnesota Legislature established a School Employee Insurance Plan Study and Design Committee (the Committee) to work with the Minnesota Department of Commerce (DOC) to gather information about existing health insurance coverage of school district employees in Minnesota and to make recommendations for the design of a school employee health insurance plan.

To provide actuarial assistance, the Committee and the DOC engaged Reden & Anders, Ltd. (R&A) to carry out the projects outlined in the statute. One of these projects is to look into the feasibility and cost of a health insurance plan and shared risk pool covering public school districts in Minnesota.

The purpose of this letter is to inquire if your company is interested in providing stop loss coverage for such a plan, and, if so, what your approximate costs of this coverage would be.

This letter is not a formal Request for Proposal, and your organization is not bound in any way by your responses or the cost estimates you provide. We refer to this as a "Request for Information and Interest." Your responses will help the Committee to determine if establishing a pool for school districts is feasible and cost-effective.

There are 344 public school districts in Minnesota covering approximately 100,000 employees and retirees and an additional 100,000 dependents. Net paid claims were $491 million in the period July 2001 through June 2002. We anticipate these claims will be $640 million for the period July 2003 through June 2004. The Committee is considering either a single, statewide pool, up to six regional pools around the state, or a similar configuration to be determined later this year. If there are multiple pools, the Committee envisions that one pool would be for Twin Cities metropolitan area districts and the others for various non-metropolitan regions, such as northeastern Minnesota.

The pool or pools will provide a limited menu of plan designs. Although the Committee is still considering both a voluntary and mandatory pool set-up, the Committee has decided to focus on a mandatory model for its working proposal at this time. Under the mandatory approach, all school districts would be required to participate in the pool, so group selection issues would be non-existent. The enclosed exhibits provide additional information about the public school districts eligible to join the pool.

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We would appreciate your providing the information for your organization as requested on the attached page and returning or emailing your response to me by Friday, October 17. We understand this is a relatively short timeframe, but we are seeking only an approximate cost for three stop-loss options. As we said earlier, your company is not bound to any approximation you provide us in this request. Furthermore, we will not identify individual carriers and their rates in any report; only summary average costs and cost ranges will be shown. My email address is earl.hoffman@reden-anders.com. Thank you for your help with this important project.

Sincerely,

Earl L. Hoffman, F.S.A.
Senior Consultant

ELH:mje

/Enclosures

Request for Information and Interest

HEALTH COVERAGE POOL FOR MINNESOTA K-12 SCHOOL EMPLOYEES
STOP LOSS COVERAGE

A. Can your organization provide or arrange specific stop loss coverage for the pool?

B. If the answer to D is yes, what would be the approximate cost per month per single subscriber and per family contract for specific stop loss coverage for the period July 2003 to June 2004, for attachment points of $250,000, $500,000, and $750,000, and a lifetime maximum benefit per member of $3,000,000?

C. Can your organization provide or arrange aggregate stop loss coverage for the pool?

D. If the answer to F is yes, what would be the approximate cost per month for aggregate stop loss coverage with an attachment point of 110% of expected claims? 125% of expected claims?

E. How would the above answers vary for a single pool versus multiple pools?

F. How would the above answers vary for a mandatory pool (all districts must participate) versus a voluntary one?

APPENDIX F

Third Carrier Data Request

Reden & Anders, Ltd.

An ingenix Company

Consultants & Actuaries
222 South 9th Street, Suite 1500 • Minneapolis MN 55402
Tel (612) 339-7933 • Fax (612) 349-3788 • www.reden-anders.com

MEMORANDUM

Date: August 27, 2003

To: Health Plans, Health Insurers, and Third Party Administrators of Minnesota School Districts

From: Earl Hoffman, Reden & Anders, Ltd.

RE: SCHOOL EMPLOYEE INSURANCE PLAN STUDY – FOLLOW-UP INFORMATION REQUEST

On behalf of the School Employee Insurance Plan Committee, I would like to thank you for providing us with data about the school districts you cover, in response to our earlier requests. These data have proven to be essential in our analysis of the cost and types of coverage offered by districts during the 2001-02 year.

As our study progresses, we would like to "refresh" our information for plan and cost changes since July 1, 2003. We would greatly appreciate your completing the enclosed follow-up surveys for your Minnesota school district groups.

In the first part, we are seeking general information about your block of school district business as a whole and would appreciate your providing your best approximations of the percentage changes in overall allowed medical costs, net benefits, retention charges, and stop loss charges for this block of business.

In the second part, we are looking for more information about each school district you cover. Again, we are looking for your best approximations of the actual and projected changes in the overall plan cost from the 2001-02 year to the 2003-04 year that, for most districts, has just started. Please complete one spreadsheet for each district you cover. You can insert spreadsheets into the enclosed workbook for each district you cover, up to the maximum number of sheets allowed in Excel. We are sending a separate request to the Minnesota Service Cooperatives for the information on their groups. Therefore, you need only respond for this part regarding your non-Service Cooperative groups.

✧ ✧ ✧ ✧ ✧ ✧

We would appreciate receiving your responses by email by September 15. Thank you for your continued help with this important project.

Sincerely,

Earl L. Hoffman, F.S.A.
Senior Consultant

Follow-Up Information: ISD Plan and Cost Changes Since 2001-02 Year

Please complete one spreadsheet per group.

ISD Name:
ISD #:

Health Carrier, Service Cooperative, or Administrator:

	Benefit Plans				
	1	**2**	**3**	**4**	**5**
Brief Description*					
Approximate percentage cost change from:					
2001-2002 Plan Year to 2002-2003 Plan Year					
2002-2003 Plan Year to 2003-2004 Plan Year					
Do the above changes include plan change impacts?					
Number of Subscribers** at 7/1/02					
Number of Subscribers** at 1/1/03					
New Plan? (Yes/No)					
Please provide a brief description of the most significant plan changes from 2001-02 to 2003-04 (deductible, office visit/Rx copays, coinsurance)					
If there were plan changes, what is your best estimate of the cost impact of the changes?					

* For example: CMM $200 deductible; Double Gold; HP60; PEIP Plan 9; Open Access

** Subscriber is an employee, retiree, or COBRA-eligible person. If you have data only on number of members, please provide these numbers and indicate that the counts are members.

Requested date to send back to Reden & Anders: on or before September 15, 2003

Reden & Anders, Ltd.

An ingenix Company

Follow-Up Survey: For Entire Minnesota School District Block of Business

For all of your school district groups **as a whole**, please estimate the following:

	From 7/01 – 6/02 Year To 7/02 – 6/03 Year	From 7/02 – 6/03 Year To 7/03 – 6/04 Year
Approximate percentage change in allowed costs		
Approximate percentage change in net benefits		
Approximate changes in administration charges		
Charges that are expressed as percentages of premiums or claims		
Charges that are expressed as dollars per group or per subscriber		
Approximate percentage changes in stop-loss premiums		
For attachment points:		
$50,000		
$100,000		
$150,000		
$200,000		

Requested date to send back to Reden & Anders: On or before September 15, 2003

APPENDIX G

Additional Information on Wellness, Pharmacy Benefits, And Disease Management

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MEMORANDUM

Date: November 20, 2003

To: Earl Hoffman

From: Barbara Johnson

RE: SCHOOL EMPLOYEES PROJECT

WELLNESS

I had extensive conversations with the Mayo Clinic Health Management Resources staff about their e-health program, which is offered to employers. It includes an on-line health risk appraisal. This program also includes extensive health information and directs employees to specific sites based on the results of the HRA.

It also includes extensive decision support services and health information to assist members in making informed health choices. The program includes extensive customization capabilities and branding for the plan sponsor.

The program also includes aggregate reports to the employer. I confirmed that sub-groups could also receive these reports (i.e., at the school district level). Such reports can be produced as long as there are sufficient participants to meet HIPAA confidentiality requirements.

Additionally, the plan can incorporate a release of information that would allow employee information to be shared with the plan.

The cost for the entire package for a plan with 100,000 eligible employees varies based on the services provided, the level and complexity of reporting, etc. The sales representative provided information on pricing of comparably sized employers at approximately $0.16 per employee per month. There would be additional costs for a health fair to do blood testing, like cholesterol screening. The results of the cholesterol screening, height, weight, etc. are incorporated into the HRA. If the member doesn't have cholesterol levels, the program assumes an average, but this would be far from idea.

I contacted MinuteClinic to get information about pricing for blood draws and cholesterol screening. The plan may also want to contract with local providers to perform this service.

I also obtained information from Staywell, Inc. which also offers health promotion programs. These programs are extensive and include both on-site and internet capabilities. Their headquarters are in St. Paul, and consumer health information and wellness programs are their core competency.

They have follow-up programs for a wide range of risk factors, such as weight management, exercise, blood pressure management, diabetes, back care, coronary artery disease, etc.

Staywell has been actively involved in research associated with the value of work site health promotion or other risk reduction interventions. They have reported that eleven modifiable health risks are associated with 25% of total health care costs in a study that involved six large private-sector and public-sector employers.

In order to assess the potential impact of a wellness program, we selected three conditions, obesity, smoking and depression. We estimated the prevalence of the condition in the population (based on national statistics), the difference between the health care costs for people with these conditions compared to the average, and various estimates of the percentage of people whose risk behavior changes in association with the wellness program. These are presented in Table 1, below.

Risk Factor	Prevalence in Adults	Ratio of Costs to Average	% Change in Prevalence	Impact on Cost
Smoking	18%	1.5	10%	$1.50 PMPM
Obesity	33%	1.5	15%	$4.10 PMPM
Depression	9.5%	1.3	10%	$0.47 PMPM
Total				$6.07 PMPM

These changes translate to an estimated savings of 2.4%. It does not consider any additional costs for treatment of the conditions. Much of the treatment occurs in year one, with savings associated with future years. Additionally, it assumes that individuals return to average cost upon change of behavior, which is not necessarily accurate. Finally, there is overlap among the populations, that is, some people who smoke are also obese and depressed. These factors tend to overstate savings associated with behavioral change.

PHARMACY BENEFITS MANAGEMENT

I spoke with several Pharmacy Benefits Management firms about the advantages and disadvantages of employers directly contracting with the PBM, versus obtaining services through contracts that health plans have with the PBMs.

They differed somewhat in their responses, but the advantages cited were:

- Greater clarity in pharmacy costs
    - Rebates
    - Ingredient costs
    - Administrative fees
    - Pharmacy payment per fill
- Plan-specific formulary allows the purchaser to maximize rebate potential
- Plan-specific contract allows disease management programs offered by the PBM to be more specific to the needs of the purchaser's members
- Purchaser-specific reporting of pharmacy utilization, trends, etc.
- Ability to design benefit plan specific to needs of purchaser's employees

The disadvantages cited were:

- Additional time commitment to address pharmacy benefits
- The plan may not have adequate numbers to match the pricing negotiated between the PBMs and the large health plans.
- Some health plans have integrated pharmacy/medical care, and multiple formularies are either not feasible or difficult to implement.

Whether or not there is a potential for savings associated with direct contracting is dependent on the current pricing that contracted health plans have and the extent to which that preferred pricing is passed through to purchasers.

It is unclear the extent to which rebates are currently used to reduce pharmacy costs to the school districts. In order to estimate the potential magnitude of the savings, we estimated the rebate percentage as 5% of plan cost. At 5%, the savings associated with the pharmacy rebates translates to 1.2% of total plan costs. This is a maximum savings, since we do not know how carriers currently apply rebates to the school districts.

Employers who are interested in pursuing direct contracting with a PBM generally do this through an RFP process.

DISEASE MANAGEMENT

I reviewed the documentation provided by Health Partners and CBSA in their RFI responses. I am also aware of the American Healthways program that Blue Cross uses and have previously reviewed some of the Medica literature. The CBSA description of their program was not particularly useful. The HealthPartners programs are integrated into their clinical care programs. They cover many of the problems that were identified as cost drivers for school employees, including diabetes, coronary artery disease, and congestive heart failure.

HealthPartners contracts with Accordant Care to perform case management and educational programs for a variety of rare and chronic diseases, including such diseases as cystic fibrosis, multiple sclerosis, hemophilia, etc.

They also describe extensive health promotion and disease prevention programs in their RFP response, with programs targeting issues specific to school employees including back pain and depression.

The State of Minnesota has negotiated with the health plans that disease management programs will be targeted to specific diseases that are of concern to the state, and that guarantees for returns on investment are incorporated in the contracts.

Disease management vendors routinely offer these kinds of guarantees, and the school employees group could certainly incorporate such a guarantee, either through direct contracting with the disease management vendor or through its contracted health plan.

There is no reason to anticipate that direct contracting or guarantees would generate substantial additional savings over and above that currently achieved through the health plans.